







FINANCIAL TIMES

Schneider probe broadens after second arrest

The Belgian investigation into Didier Pineau-Valencienne, chairman of France's Groupe Schneider, broadened with the arrest of an Italian businessmen as part of a fraud inquiry involving Belgian subsidiaries of the electrical engineering

Belgian justice officials said that Valentino Foti had been detained on the same charges as Mr Pineau-Valencienne. The Schneider chairman, beld in a Brussels prison since Friday, is charged with fraud and falsification of accounts following an investigation triggered by complaints from minority shareholders in Cofibel and Cofimines. Belgian subsidiaries of the French company.

IBM aims to unify software development



International Business Machines is realigning its worldwide software development operations following a management review ordered by chairman and chief executive Lou Gerstner (left). IBM, which spends about \$1 hn a year developing software, plans to co-ordinate efforts behind a set of technolo

gies called "Workplace". The shift is part of Mr Gerstner's plans to unify IBM's product development work, Page 17

Mediobanca chiefs under investigation: Four senior executives of Mediobanca, the Milan merchant bank, were told they were under investigation by Ravenna magistrates for alleged irregularities in their role as advisers to the collapsed Ferruzzi-Montedison group. Page 17

Nikkei reaches 1994 closing high: Markets in London and New York were closed yesterday, but in Tokyo, foreign buying of heavy industrial shares helped push the Nikkei average up 61.81 points to a 1994 closing high of 20,839.97. Friday's closing share prices for US and UK markets were published in the FT on Saturday and yesterday. Page 17; Lex, Page 16

Japan's steelmakers under pressure Japan's steel industry, severely squeezed by recession and fierce price competition, faces demands from the country's carmakers to reduce prices for sheet steel. Page 20

UK may stem import of construction steel Regulations to stem imports into Britain of cut-price subsidised construction steel, mainly from Italy and Spain, are being considered by the UK government. Page 16

Business leaders call in a letter to the Financial Times today for British industry to "stand up and be counted" in the forthcoming European elections. "The silent industrial majority must make its voice beard above the political bickering." they write. Page 14

Russia demands veto on Caspian oil deals: Russia demanded the right to reject Caspian Sea oil projects that its former Soviet neighbours are negotiating with western companies, a move which could undermine some of the world's largest energy deals, Page 2

Poland to keep tough banking rules: Poland's central bank intends to maintain its tough licensing policy for domestic and foreign banks, making it unlikely that Chase Manhattan and Deutsche Bank, which have applications pending, will be allowed into the country in the near future. Page 18

Japanese chip makers to boost capacity: Japan's six leading electronics companies plan to increase investment in semiconductor making capacity by t5.3 per cent to a combined Y461bn (\$4,39bn) in the year to March in response to a surge in demand for personal computers in the US and Japan. Page 6

Total sees room for profits growth: French oil group Total expects half-time operating profits of about the same level as the FFr3.49bn (\$591m) recorded in the first six months of 1993, but says it has room for increased production and improved productivity, Page 21

inco agrees terms with unions: Inco. the western world's biggest nickel producer, has signed a tentalive three-year labour contract with aimos! 5,000 workers at its Ontario operations, averting a strike which was due to begin tonight.

UN set to harden stance on N Korea: The United Nations Security Council is today expected to discuss North Korea's refusal to lct international inspectors examine fuel rods being removed from its nuclear reactor. The US is threatening sanctions, but China is warning against punishment. Page 16

Suez in property deal with Uniball: French financial and industrial holding company Suez is selling a large part of the property assets of Its Compagnie Foncière Internationale property subsidiary to Unibail, the property management group, for between FFr3.2bn and FFr4bn (\$570m and \$712m). Page 17

Saga lifts profits: Saga Petroleum, Norway's higgest independent oil company, lifted pre-tax profit for the first four months of the year to NKr659m (\$89m) from NKr640m despite lower crude oil prices. Page 18

Andean Pact tariff agreed: The five countries of the Andean Pact have agreed to a common external tariff. 25 years after formation. Page 6

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Brussels bowed to lobbying to clear textile plant aid

By Guy de Jonquières and Jenny Luesby in London and Lionel

The European Commission overrode strong objections from its own officials earlier this month in approving a £61m (\$90m) UK government grant for a Belfast textiles plant to be built by a Taiwanese group, two of whose top managers have been charged in connection with an alleged share fraud. The £157m project, the largest

industrial investment in Northern Ireland since the De Lorean car venture which collapsed with heavy losses in the early 1980s, has been backed by heavy lobhying in Brussels by British ministers, MPs and MEPs.

According to senior Commis-sion officials, one unnamed minister told Mr Karel van Miert, the competition commissioner in charge of vetting the project, that failure to approve it would have political consequences in London as well as in Belfast.

The plant is to be built in a political stronghold of the Ulster Unionist party by a Malaysian division of Hualon, a Taiwanese conglomerate. Last year, votes from Ulster unionist MPs enabled Mr John Major to keep the Maastricht treaty alive when a minority faction in his own Conserva-

tive party rebelled. Mr Oung You-ming, chairman of the division, jumped bail and moved to Malaysia in t991 after being charged by Taiwanese authorities with breach of trust

in a stock market scandal that led to the resignation of a Taiwanese cabinet minister.

Mr Oung Ta-ming, his brother, who heads the Hualon group, has been convicted on the same charges and sentenced to threeand-a-half years in jail. The sentence was reduced on appeal to two-and-a-half years. Mr Oung is appealing against his conviction fore Taiwan's supreme court. Northern Ireland's Industrial Development Board, which han-

Hualon on June 9, said it knew of the investigations Into the Oung brothers and of their outcome. The IDB said it had not met or

talked to any Oung family mem-ber involved in the court cases. It said It had "a well-established procedure for assessing all relevant aspects of any project and its promoters".

Mr Glifford Forsythe, Ulster Unionist MP for South Antrim, where the plant will be built, and Mr Jim Nicolson, Northern

Ireland's Uister Unionist MEP. said the IDB had never told them of the allegations surrounding Hualon and the Oung family.

"I was not aware of any of this . . . and I have never heard anyone mention it before." Mr Forsythe said yesterday. "In any of these situations you expect the government department responsi-ble to look at the situation very

Continued on Page 16

Shake-up of Europe's labour market urged

By David Buchan in Muthouse

Europe should reduce labour market regulation, link pay to productivity, and lower barriers to cheap imports in order to increase competitiveness and cut chronic unemployment, a Franco-

German study says.

The release of the report, prepared for the German and French governments in the run-up to their year-long "co-ordinated" presidency of the European Union, coincided with the first day of a two-day Franco-German summit in the French border town of Mulhouse

The report was issued by the economics ministry in Bonn and was welcomed by Mr Gunter Rexrodt, Germany's economics minister, as showing a high degree of agreement between Germany and France on structural reform.

He described it as "a major contribution to joint initiatives to solving employment problems in Europe during the forthcoming German and French presidencies

However, Mr Edmond Alphandery, France's economics minister, appeared to distance himself from the report, saying it was provisional and did not commit

his government.

Germany takes the EU presidency in July for six months and will be followed by France, prompting the two countries to co-ordinate their agendas over

the next year. When Mr Jacques Delors, the European Commission president. attacked Mr Rexrodt in Brussels earlier this month for his labour deregulation ideas, France did not take sides. Yesterday, Mr Rexrodt appeared to want to give the impression that France had

now lined up alongside with him. Though commissioned by both governments at their Beaune summit a year ago, the joint study was beaded on the German side by Professor Johann Eekoff. number two to Mr Rexrodt at the Bonn economics ministry, and,



Chancellor Kohl (left) and President Mitterrand arrive for the 53rd Franco-German summit

Germany aims to privatise military support European election

campaign Page 16

Fauroux, a former industry minister in the socialist government. în a separate communique, Mr Edmond Alphandery, French economics minister, and Mr Theo Waigel, German finance minister, hailed the prospect of low inflation and rising growth rates in their two countries, and said "the recovery ought to be accompan-

ied by measures favouring more flexibility in the labour market". The Franco-German report acknowledges the two countries have different employment weakon the French side by Mr Roger

nesses. Germany's drawbacks are said to include high wage costs, short working hours and prod-ucts too complex for customers' needs. France suffers from too heavy a social security burden on companies that invest too little in

However, the study says both countries suffer from "far-reaching labour market regulation, insufficient training and retrain ing ... and lack of wage differentiation". ft recommends:

research.

 Reducing regulation, "above all in services, and promoting new companies and technologies instead of subsidising outdated structures".

 Basing wages policy on productivity, introducing more flexi-ble working hours and "reviewing rules governing dismissals". Regarding cheap imports from east Europe as a potential bene-fit, rather than a threat, because

they "lower production costs". While most of the report's conclusions would seem more painful for France than Germany, the study would not be without consugguence for Germany which, it is noted, has even more inflexible working hour rules than France.

Italian right snubbed by EU minister

By David Gardner in Brussels

Neo-fascist ministers of Italy's new government coalition made their first appearance on the European political stage yester-day and found that hands were

not extended in welcome.

The Belgian telecommunications minister, Mr Elio di Rupo, refused to shake hands with his Italian opposite number, Mr Giu-

seppe Tatarella.

Mr Tatarella is one of five Italian ministers from the right-wing National Alliance, and one of three from its neo-fascist core, the MSI, two of whom made their debut at the Council of Ministers in Brussels yesterday.

Mr di Rupo, a rising star in Belgium's socialist firmament, and whose Italian father came to Brussels after the second world war, broke all the club rules on walcoming newcomers to the EU Council, and underlined it by

For the first time in the history of the European Community and Union, be sald, the Council counted among its members the representatives of an "Ideology that bas been condemned for

Discomfiture about the neo-fascist presence is widespread, although few senior officials or ministers are prepared to discuss it. Officials from Germany, Spain, Greece, and Portugal in particular say that they fear it might make fascism respectable in their

own countries once again.

First to arrive

Meanwhile, the European parliament's dominant socialist group has voted not to work with

the Italian neo-fascists. Yesterday, the Danish Social Democrat telecommunications minister, Mr Helge Mortensen, admitted under questioning that he, too, had not seen fit to shake hands with Mr Tatarella, because "I did not find it suitable

Mr Tatarella was not unprepared for his reception. He observed to Mr di Rupio that it was Benito Mussolini's regime in Italy which had first abolished the handshake - in favour of the Roman-style fascist salute.

The current Greek presidency of the EU calmed the waters by issuing a hland declaration on democratic principles. Among the larger member states there was

mostly silence yesterday.

But Mr Alain Juppe, the French foreign minister, said two weeks ago that the inclusion of neo-fascists in the new Italian government would require "vigi-

Mr Douglas Hurd, the UK's for eign secretary, said at the same time that his government "had no reservations about working with the Italian government".

He said the government bad looked into the extreme-right ministers' "proposals", examined them "as individuals", and considered "the posts which they occupy".

"I'm sure there will be no difficulty in collaboration between Britain and Italy," Mr Hurd said.

Britain close to victory on opting out of labour law

By David Goodhart in London

The UK government is on the verge of winning an important policy reform from the European Commission over limiting the scope of European labour legislation in the case of the contracting-out of public ser-

The victory would come at a useful time for the UK government, just before the European elections, and would offer some evidence that the European Union is moving to accommodate the UK's deregulatory approach on employment issues.

The government has been lobbying in Brussels for several months to exclude contractingout from the European Acquired Rights Directive (1977) - known in the UK by the acronym Tupe which protects the jobs and conditions of emptoyees when the

undertaking they work for changes ownership.

The UK government has faced strong opposition from the social and employment affairs directorate general in Brussels and from ment. But it has won support from the governments in France and ttaly, which are both focus-

on reform of the public More decisively, the German government has swung its weight behind reform of the directive after a recent ruling from the European Court of Justice.

involving a German insurance company, which said that a singie woman cleaner should be covered by Tupe.
The belief among UK businesses that Tupe does apply to many cases of contracting out

has impaired the government's

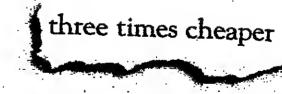
public sector to contract out services to private compunies, and it has reduced the expected savings to the exchequer.

There has been much legal dispute in the UK over what kind of business undertaking is covered by Tupe and how much of an employee's pay and conditions should be transferred. However the courts, most recently the Court of Appeal, have often sided with the trade unions, which have arrued for the widest possi hie application of Tupe.

The UK government has been arguing that Tupe should be amended to make clear that it applies only to whole economic undertakings, rather than to individual activities, soch as cleaning or catering, within such

> Continued on Page 16 Editorial Comment. Page 15

the least hassle



Management Today on Swiftair versus the top international couriers.

The test was to Tokyo, and our rivals included DHL. TNT, UPS, FedEx and Securicor, At only 19.05 versus the coursers' \$27-\$35, the Swiftair package not only reached as destined recipient first, but did to at a fraction of the cost. So why pay three times more for a courier? Return coupon to: Swiftain, FREEPOST, 17 Fentrer Way, RASILLION, Exten Mil5 4BR.

Management Today certainly couldn't think of a reason to. Swiftan had proved "more of herene than the coursers with their outpy degun, and brush logor," and shown that "prior is often my: a fair indication of efficiency." Source Management Today, April 1994 more

New we'd like you to put us to the test. Simply complete and return this coupon, and we'll send you a free Swiftpack that you can send free

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Mr. Arts Gade

CONTENT - Paragraphy

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Brussels to reformulate social policy

By David Gardner in Brussels

The European Commission is looking for "a new balance between what is economically necessary and socially desirable" in formulating a social policy for the next decade, according to Mr Padraig Flynn, social affairs commissioner.

There is likely to be less Eurolegislation, and less focus on labour law, the main area of controversy between the UK and its partners and between employers and trade

The emphasis will be on "the quality, not the quantity of our leg-

lahour conditions through higher productivity, the commissioner forecast, as Brussels finalises its preparation of a new White Paper on social policy for July.

"We are looking for new ways to reconcile the twin objectives of economic growth and social progress a new European model." Mr Flynn

Winding up a three-day seminar on Saturday in preparation for the White Paper, he rebuked those who saw competitiveness purely in terms of lower labour costs.
"We need to recognise that, yes.

wealth creation is essential to pay for social progress, but also that the social environment is an integral part of the competitive formula," Mr Flynn said.

"The fixation of some with the labour cost side of the equation is one-dimensional," he added. "What counts is productivity, and the social environment...is a key factor in determining that."

He said he hoped that the Commission's revamped directive for elected works councils in large trans-European companies – opposed by the UK and criticised by Unice, the Euro-employers' lobby –

would be adopted by EU social affairs and labour ministers on June 22. The directive would not in theory affect companies in the UK. by virtue of Britain's opt-out from the Maastricht treaty's social chapter. But Mr Flynn nevertbeless looked forward to a period of consolidation to follow the already flag-ging activist phase of EU social policy, to cover the jobless as well as

The top priority would be job creation, and Mr Flynn called for the pursuit of togher labour standards through a new commitment by both

But he underlined that the European Union remained committed to "a level playing field of agreed minimum standards" for workers, as the corollary to the Single Market and fair competition within it.

Attempts by the UK to dilute that would be resisted, he warned. "If we cannot progress as 12, then we will be obliged to progress as 11 rather than stand still or move hackwards," he said, citing as an example the works council directive -the first measure under the Maas-tricht social chapter.

Employers protest at EU subsidies for trade unions

By Lionel Barber in Brussels

In a move which points to a growing divergence between husiness and organised labour, Unice, the European employers' federation, has called into question the principle of subsidising the European trade union movement through the EU budget

Mr Zgymunt Tyszkiewicz, Unice secretary general, raised the issue of union funding during a weekend speech in which he also called for a shake-up of the European Commis-sinn to correct alleged pro-union hias in preparing EU legislation. He told a Brussels conference on

the future of European social policy on Saturday that business was concerned about the level of subsidies for trade union activities, much of which was earmarked by a sympathetic European Parliament. "Employers don't believe that balanced support exists," he said.

Unice has identified Ecu26.49m (\$30.6m) in direct subsidies for the European trade union confederation (Etuc) and closely related bodies in the 1994 EU hudget. Though the money represents only a fraction of the annual Ecu70bn budget, Unice is pressing for greater transparency

in the allocation and use of funds. The employers' fedaration is focusing on the Ecu17m set aside for unions ahead of the Brussels directive on works councils expected to pass into law this year. The money is to help trade unions to put in place new systems of information and consultation at company level.

Etuc officials dismissed the Unice criticism as unwarranted, noting that large European companies get far bigger subsidies through fund-ing of research and development and other areas of the EU budget. Unice'a challenge marks a new line of attack in its campaign against the works council directive, which it regards as unnecessary Brussels-led interference in the management of individual companies, threatening to set back efforts to improve competitiveness.

The directive requires companies to comply with minimum requirements on consultation with elected works councils, but only if the companies fail to agree a voluntary pact sought by 100 employees or their representatives in at least two mem-ber states. It is expected to pass into law later this year under the Ger-

Telecoms ministers in deregulation talks

By Emma Tucker in Brussels

Europe's domestic telephone users could soon have access to an alternative universal telephone service if ambitious European Commission proposals to liberalise mobile telecommunications and cable infrastructure networks succeed.

The plans amount to the creeping deregulation of voice telephony for households well ahead of 1998, the date set by the EU for the break-up of monopoly control over the conti-nent's public telephone services. These and other issues will he discussed at a meeting of telecoms

By David Lane in Rome

The Italian government headed

by Mr Silvio Berlusconi is

expected to approve a package

of tax measures at the end of

this week. Tax exemption of

reinvested profits and fiscal

incentives to encourage new

car purchases, along the lines

adopted in France, are among

measures being considered

During the campaign for the

elections at the end of March.

Mr Berlusconi promised to

tackle the broblem of unem-

ployment and create a million

new jobs. This week's tax pack-

age will reinforce decrees

issued last Friday that seek to

Italy'a construction industry.

badly affected by the recession and the effects of the tangento-

poli (kickback city) corruption

scandal, may be helped by a

decree that suspends the Mer-

loni Law until the end of this

The Merloni Law, which came into force at the begin-

ning of March, establishes a

new and transparent frame-

work for awarding and over-

seeing public works contracts.

The new government believes the law has put a

hrake on public works, and

intends to introduce modifica-

tions. Meanwhile, it hopes the law's suspension will have a

rapid impact on activity and

employment in the construc-

tion sector, with around L60,000bn (\$38bn) of contracts

A second decree eases regu-

lations covering the hiring of

staff. Only businesses with

payrolls of less than three had been allowed to hire directly.

all others being required to

being given the go-ahead.

boost employment.

stimulate the economy.

Italian tax plan

aimed at cutting

unemployment

ministers in Brussels today, amid growing impatience from Europe's leading electronica companies that liberalisation is not proceeding quickly enough.

Last month the commission published a green paper on mohile com-munications intended to open the development of the mobile sector towards the personal communications mass market.

Europe has only about 8m sub-scribers to mohile cellular telephones, but this figure could rise sharply if the opening up of the mobiles sector is accompanied by liberalisation of other telecommuni-

ohtain staff through state

employment exchanges. Now businesses with up to 15 work-

ers may hire directly, though

this relaxation does not apply

Mr Berlusconi's government

has said it wants to reduce

rigidity in the labour market

and thereby encourage the cre-

ation of new jobs. It is expected

follow Friday's decree by

part-time and fixed term con-

larly high among young Ital

ians, and Mr Berlusconi's gov-

ernment seeks to reduce it hy

stimulating the establishment

of businesses by young people.

incentives, L100bn this year

and L200bn in each of the next

two years. The incentives will

be available in depressed areas

The body managing this programme will be transformed

into a joint stock corporation

whose scope will be the provision of services to small and

medium enterprises. It will have share capital of L10bn.

beld hy the Treasury, and take

stakes of up to 10 per cent in the equity of businesses.

release funds to businesses in

southern Italy that have been waiting for payment of

regional development grants

already approved. Although

about 1.2.000hn will he released

to about 2,700 husinesses, a further 13,500 businesses will still

The Bank of Italy on Friday

relaxed reserve requirements.

reducing the marginal rate of

obligatory reserve from 17.5 to

15 per cent from mid-July.

be waiting for payment.

The package announced on Friday includes a decree to

throughout the country.

decree allocates L500bn for

introducing measures covering

Unemployment is particu-

to farming.

cations infrastructures, such as cable TV networks. In a deregulated market there would be nothing to stop mobile and cable operators joining forces to offer - particularly in highly cabled countries such as Belgium, Germany and the Netherlands - an

alternative to the existing universal

domestic telephone service.

Although senior commission officials privately acknowledge that telecommunications markets are overtaking the agreed EU timetable for dismantling barriers in European telecoms markets, they are not prepared to expend the political

dismantle the 1998 deadline. But in a report to be presented to telecoms minsters at today's council meeting, heads of Europe's leading electronics companies are expected to argue that the EU should set precise targets for speeding liberal-

Mr Karel Van Miert, competition commissioner, has publicly thrown his weight behind a full and speedy liberalisation of Europe's cable television infrastructure. However, his plans may be scuppered by those member states wary of the political impact of early deregulation

Siemens, ICL, Philips Electronics, IBM Europe and Cie des Machines Bull – are part of an EU advisory group on information highways. They have been charged with proposing a strategy for developing pan-European computer and telecommunications networks as part of the EU's hroader effort to boost economic growth.

The report is likely to intensify debate before the summit in Corfu next month, when Mr Martin Bangemann, industry commissioner, is due to present it to heads

Germany and France plan to co-ordinate EU presidencies

France will meet today to move their traditional European partnership into even higher gear to co-ordinate their successive presidencies of the European Union over the next

At their two-day meeting in the border town of Mulhouse, Chancellor Helmut Kohl of Germany and President Mitterrand and Prime Minister Edouard Balladur of France will plan their joint approach to next month's EU summit in Corfu and to Germany's presidency in the second half of this year and France's in the fol-

Mr Kohl and Mr Mitterrand were reported over the weekend hy the Süddeutsche Zeitung newspaper to have already decided that at Corfu they will back Mr Jean-Luc Dehaene, the Belgian prime minister, to succeed Mr Jacques Delors as European Commission president. In Paris an official would

Leaders of Germany and Quentin Peel and David Buchan on today's meeting in Mulhouse

> only comment that "from our praise of Belgium's performance in the presidency" in the second half of last year "you can see where our heart lies". In Bonn, rumours that the Delors succession might be deliberately kept open for Mr Kohl to fill if he lost his October election were discounted, partly because this would leave the European Parliament insufficient time to use its Maastricht rights to endorse the new commissioners.

According to the Elysé spokesman, the two countries are to set up a high-level working party to ensure "perfect co-ordination" of EU business between July 1 this year and June 30 next year. Among other things, this will involve: France falling in with Germany's desire for the EU to open more to the east, in

for French initiatives towards North Africa, and particularly Algeria, whose official debt is expected to be rescheduled in Paris next week.

Germany would like Presidents Boris Yeltsin and Leonid Kraychuk to come to Corfu to sign EU co-operation treaties with Russia and Ukraine, a wish that French complaints about Russia "dumping" enriched uranium looked like thwarting. Bnt Mr Alain Juppe, French foreign minissia to get a restraint agreement that still needs endorsement by his EU partners. France and Germany have also been negotiating with Mr Kravchuk a plan for western aid to stop further work, and radiation leaks, at Chernobyl nuclear plant and to fund completion of less dangerous reactors. return for Germany's backing • An attempted compromise

should figure in the list of EUbacked infrastructure projects being prepared for Corfu, though Germany remains more sceptical than France of the Commission "behaving like a bank" in financing these. In advance of the G7 summit in July, France wants German support for the new World Trade Organisation to debate minimum labour standards. • Improvements to the EU post-Maastricht. To France, this chiefly means better forpossibly a Western European Union arms agency; progress on an initial, hilateral Franco-German weapons procurement agency will be reviewed at Mulhouse. Germany, currently president of the Schengen organisation to reduce border controls, is keener on faster progress on common immigra-

on economic growth and trade issues. Both governments seem

agreed that the eastward

expansion of high-speed rail

A man looks at a grave marker in a military cemetery near the D-Day invasion site of Omaha Beach in Normandy. The 50th anniversary of D-Day, when allied troops invaded continental Europe, falls on June 6.

Fighting flares in Bosnia

Serb and Bosnian government forces at the weekend fought for control of strategic supply routes, as the UN said a new round of talks aimed at brokering a ceasefire would convene this week, writes Laura Silber in Belgrade.

Despite ongoing clashes, Lord Owen, EU negotiator, said: 'I think there's a fairly good chance of getting a ceasefire in the next few weeks."

But he appeared uncertain as to whether the warring factions would endorse a settlement on Bosnia's partition. International mediators last week put forward a revised version of a settlement that would give the new Moslem-Croat federation 51 per cent of Bosnia and the Bosnian Serbs 49 per cent

Mr Radovan Karadzic, Bosnian Serb leader, said he would rejoin peace talks, making clear that his side will back a ceasefire, but stop short of a political settlement.

The Bosnian government fears a ceasefire would cement Serh gains, about 70 per cent of Bosnian territory. Mr Karadzic said Serbs were ready to sacrifice land if sanctions are lifted but remain far from accepting proposals for a 49-51 ratio.

"Maybe we could accept 49 per cent, if they give ns Tuzla and Sarajevo," he said yesterday, reported Vecernje Novosti, the

Belgrade daily.
In remarks likely to raise Bosnian government fears, Mr Karadzic said: "It is now certain that we have a state, we just must take care for it to be as big as possible."

Meanwhile, hoth sides claimed civilian losses in fighting in the strategic Sava River valley, northern Bosnia. Serb forces had appeared to regain strategic high ground near Tuzla, the Bosnian stronghold tion and crime policles. CORRECTION

Astra and Takeda settlement

Under the terms of the settlement between Astra, the Swedish pharmaceutical group, and the Japanese group, Tak-eda, Astra will receive unspecified consideration for Takeda's future sales of products containing lansoprazole and not the generic version of Losec (Astra's best-selling anti-ulcer drug) as stated in a May 27 story headed "Astra-Takeda patent row settled".

French business leaders rally round imprisoned Schneider chairman

By John Ridding in Paris

French business leaders yesterday rallied behind Mr Didler Pinean-Valencienne, chairman of Grnnpe Schnelder, the French electrical engi-

Brussels since Friday on The arrest of the Schneider chairman also prompted high-level exchanges between the French and Belgian gov-

ernments, although both sides

declined to confirm Belgian

television reports that Mr Ednuard Balladur, the French prime minister, had telephoned Mr Jean-Luc Dehaene. his Belgian counterpart, con-

in an advertisement placed in the Journal dn Dimanche. seemed little sign of an early

the French Sunday paper, 35 prominent French businessmen pledged their support for Mr Pineau-Valencienne, testifying to bis "moral rigour, ethlcs and competence".

release for the Schneider chairman. The Belgian Justice Ministry said it would respect the decision of the investigating jndge, Mr Jean-Clande Van Espen, whn detained Mr in Brussels, however, there Pinean-Valencienne on charges of fraud, emhezzle-

ment, falsificatinn of annual accounts and abuse of confi-Pinean-Valencienne mnst

Under Belgian law, Mr remain in prison until the indge decides whether the charges should be confirmed.

His court appearance has been set for Wednesday. Pinean-Valencienne relate to a complaint by minority ahareholders in two Belgian Schnei-

in the northeast.

Tha charges against Mr der subsidiaries - Cofimines

Schneider's 1992 bid to buy them nnt had undervalued their shares. An agreement between the minority shareholders and Schneider was reached earlier this year after the French group raised its offer price, but an investigation by the Belgian authorities into the management of the two subsidiaries, which was launched last September, has continued.

Tough manager finds himself behind Belgian bars W hen Mr Didier Pineau Valencienne, chalman of Valenci

France's Groupe Schneider, was asked last year about the protracted dispute between his electrical engineering group and minority shareholders in two financial subsidiaries in Belgium, he dismissed the prospect of trouble. "There should not be any unpleasant surprises," he told Les Echos, the

financial daily. After a weekend in Forest prison in Brussels, however, Mr Pineau-Valencienne may be reflecting on those words. Having travelled to Belgium last Thursday to make a statement concerning an investigation triggered hy complaints filed hy minority shareholders in Cofibel and Cofimines, the two subsidiaries, Mr Pineau-Valencienne found himself charged with fraud and detained in

The event has prompted shock and dismay in France. "We are deeply angered." said Schneider, which rejected the charges of forgery, use of fraudulent documents, embezzlement and breach of accounting laws.

The company said that Mr Pineau-Valencienne had travelled voluntarily to Brussels and had requested a hearing concerning the investiga-

tion by Belgian magistrates. A group of leading French indus-trialists, including Mr Bertrand Collomh, chairman of Lafarge Coppee, and Mr Jean Gandois, head of Pechiney, placed an advertisement in the Journal du Dimanche yesterday pledging support for the Schneider chairman, while the French ambassador to Brussels, who visited Mr Pineau Valencienne in prison, said that concern about the events had

been expressed at the highest level. The reaction in France is partly a reflection of the importance of tha group, one of France's 25 higgest companies, with annual sales of about FFr56hn (\$9.8hn). It also reflects the prominence of Mr Pineau-Valencienne, who has forced his way to the top ranks of French industry and has been tipped as a Perigot, the head of the Patronat, man of the year by Nouvel Econothe French employers' federation. His journey to the top has not been smooth. Since taking the reins at Schneider in 1981. Mr Pineau-Valeocienne has gained a reputation as a tough and ambitious manager.

and was often at the centre of con-troversy. Landmarks include the liquidation in 1984 of Creusot-Loire, the group's steelmaking subsidiary, following a test of strength with the Socialist government of the time. from which Mr Pineau-Valencienne was demanding a rescue package. n 1991, Mr Pineau-Valencienoe

switched his focus to the US, 🔔 where be launched a hostile bid for Square D. the electrical equipment group. The \$2,23bn (£1.5bn) hid was the largest launched hy a French company in the US. Mr Pineau-Valencienne's ultimate success in the offer, after a protracted legal battle, won him the respect of his peers. He was named husinessmiste, the French business maga-

The result of his efforts has been the reshaping of the disparate industrial cooglomerate he inherited into one of Europe'a largest electrical engineering groups. Sales have increased from FFr40hn in the year of his arrival to FFr56hn last year. Profits have also been improving. rising hy 33 per cent last year to FFr405m.

lt is Mr Pineau-Valencienne's strategy of reorganising the group. however, which lies behind his present plight. In November 1992, Schneider launched an offer to huy out minority shareholders in Cofibel and Cofimines, two financial subsidiaries in Belgium, as part of its reorganisation. "The structure of the company in Belgium was an unimagineable imbroglio." said the Schnei der chairman.

Minority sharebolders in the two subsidiarles protested against the terms of the offer. In April last year, they filed a complaint with the Belgian legal authorities, claiming that the offer undervalued their shares. They also accused Schneider of mismanagement of its Belgian subsidiaries, criticising the entry of a Swiss-registered company called Fimo into the capital of PB Finance. in which Colinel had a stake. Reports in the Belgian press claimed that PB Finance through the Swiss company was involved in money laundering, an allegation firmly

denied by Schneider, After a protracted dispute, Schneider increased its offer, and an agreement was reached with minority shareholders at the end of last year. Last September, however, in response to the complaints filed by minority shareholders, Belgian investigating magistrates opened the investigation which resulted in Fri-

day's charges. Industry observers said the case also reflected Belgian sensitivity

about the power of neighbouring French industry, particularly with respect to minority shareholders. There is a fear of economic imperialism." said one analyst in Paris. He said such fears had been demonstrated in previous cases, citing the 1992 ruling by a Belgian appeal court that Accor, the French hotels group, should increase its offer for Wagons-Lits, the Franco-Belgian travel group, following a claim by Belgian

Schneider, however, stressed that the agreement had already been reached concerning the price. "It is a paradox that this should happen now, after we have resolved the dispute," said Schneider. It said that attempts were being made to secure the release of Mr Pineau-Valenclenne before Wednesday's hearing and that the Belgian authorities had not clarified tha reasons behind

their charges. What is already clear, however, is that what started as a squabble with minority shareholders has become a great deal more troubling for Mr Pineau-Valencienne.

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Erich Honecker: hardline Germany rejects offer of MiGs keeper of the Berlin Wall to help discharge Russian debt

By Our Foreign Staff

Erich Honecker, who personified the intransigence

of communism during the 1980s, died yesterday of cancer in the Chilean capital, Santiago, his home since January 1993. He was 81.

The former East German leader, who started life as a roofer and spent years in prison as an opponent of Nazi Germany, left for exile after the collapse of his trial in which he was charged with responsibility for the death of 13 East Germans on the border with West Germany. His orders for border guards to shoot st escapees, which resulted in 190 deaths, had led to a warrant for his arrest in November 1990 after German unification. German television brought

almost hourly updates during the court cass and even boarded the aircraft that took him to Santiago after judges in Berlin ruled he was too ill with liver cancer to stand trial.

By then pale and wizened, fascination with the man, seen by many as the East German Polithuro member responsible for the building of the Berlin Wall, only faded after he had retired to his daughter's house halfway around the globe.

He was born a miner's son in the Saarland, Germany's southwestern state. Both his parents were members of the Communist party and the young Honecker distributed party pamphlets st the age of eight and joined the Young Spartacus Union, a children's communist organisation, aged

He went on to join the Communist party in 1929, studied in Moscow, and worked under various aliases to expand the party in Germany. in 1935 he was arrested by

the Gestapo charged with high treason and sentenced to 10 years in prison. It was Walter Ulbricht, East Germany's first Communist



Honecker studies files before his 1992 trial for manslaughter of

Honecker into the central committee after the second world war. Hs earned Ulbricht's trust as leader of the Free German Youth (FDJ), the party's youth wing, during a campaign led by Honecker to destroy all television aerials which were being used to receive West Ger-Long Ulbricht's "crown

prince," he was given responsi-bility in the ruling polithuro for military and state security. The top job fell to him in May 1971 after Ulbricht resisted Moscow's efforts to reach an accord with West Germany. Few East Germans expected much from the stern-faced

Honecker who had a reputation for orthodoxy and was a party leader, who brought years, until about 1975, were

seen in retrospect by many East Germans as the country's most prosperous. With prompting from Moscow, relations between the two Germanies were allowed to improve as Willy Brandt, West Germany's Social Democratic chancellor, sought to improve ties between Bonn and Berlin. In this

respect Honecker played a cru-

Western politicians and businessmen beat a path to his door. A Sunday afternoon meeting in 1973 over cakes and coffee with the 1ste Herhert Wehner, Social Democratic whin in the Bonn parliament, led to a series of high-level meetings with West German loaders.

notoriously bad speaker. This two-track policy of strict domestic delimitation from West Germany while dropped him.

courting the West German political and financial élite was crowned by the visit to East Germany in December 1981 by Mr Helmut Schmidt, then West German Chancellor.

But Honecker was pulled between the West German need for detente and the Soviet need for legitimising s separate East German national state.

Honecker's desperately poor childhood coloured his outlook on life. On inspection tours of cramped new East German bousing estates he would remark that workers under the Kaiser could never have dreamed of such superb living

He failed to realise that East German workers did not com-pare their lot with that of their grandfathers but instead with West German workers whose flats were larger and equipped with more modern sppliances. Throughout the mid-1980s Honecker had longed to crown his political career with a visit

Yet, in 1983 and 1984, ss Moscow moved from one geriatric Communist party leader to another, he was prevented from visiting West Germany and it was only under the then Soviet lesder Mikhail Gorbachev that he was at last allowed to do so.

Howsver, Honecker, increasingly divorced from the reforms which were taking place in the former Soviet Union and Mr Gorbachev's refusal to intervene to protect the Communist parties of Eastern Europe against popular uprisings, in the end found himself up against the very Wall which was supposed to protect East Germany.

Towards the end of 1989 the people of Leipzig and of East Berlin themselves demonstrated against the Wall and eventually breached it on the night of November 8. Honecker had failed to sense the shifting nature of power in Moscow and in the West. Moscow had

By Bruce Clark, Defence Correspondent, in Berlin

Germany bas rejected a Russian offer to discharge more than a billion dollars' worth of debt in the form of 100 of its most advanced MiG fighter aircraft, according to German government officials.

The proposal was made by General Pavel Grachev, the Russian defence minister, to Mr Jörg Schöbohm, state secretary for defence, during the recent visit to Germany of President Boris Yeltsin.

The offer, whose acceptance

would have implied a huge change in Germany's strategic orientation, was rejected on both political and technical grounds, the officials said. They said the German Air Force remained committed to procuring the four-nation

Eurofighter 2000, although

Cdn. \$4,441,000 Cdn. \$2,904,000 SFR 100,000,000

Cdn. \$ 60,000,000

SFR 100,000,000 ECU 56,000,000

Cda. \$75,000,000 SFR 100,000,000

its price was higher and it has aroused political

controversy.

The opposition Social Democrats have threatened to withdraw from the project, which also involves Britain, Spain and Italy, if they win the Cerman elections this autumn United Germany has inherited 30 MiG fighters from the

report by the National Audit Office last autumn, leaked in part to the press, suggested that further purchases of the Russian aircraft would be a better option than procuring Eurofighter. However, a decision to make

east German forces, and a

MiGs the linchpin of the air force could leave Germany dependent on Russian spare parts and after sales service - both of which are alleged by Western experts to be unreliable - and call in

question Germany's commitment to its western allies Other drawbacks with the MiGs included: the need for a

massive internal reorganisation of the air force; the Russian aircraft's incompatibility with western air traffic control procedures; and the frequency with which they require servic-

MiG engines are designed to fly for about 600 hours between overhauls, compared with up to 4,000 for a similar western This reflects the fact that the

cost of engineers' pay was never an important factor for Soviet military planners. The German officials insisted

that discussions between Mr Schöbohm and Gen Graebev did not get as far as negotiations over price.

Reports in the specialist press have speculated that

sell its MiGs for as little as DM20m (£8m) aplece, compared with a basic price for the Eurofighter of three to five times

This would imply that the proposed MiG deal would have been worth DM2bn, only a frac-tion of the DM80bn which Germany is owed by Russia.

A government official said: "The deal looked cheap, but it would still have required the air force to transfer funds to the economics ministry or any other government agencies Russia. The nir force does not have the necessary resources at the moment."

The air force says the need to renew its air-to-air defence capacity will not arise until the year 2002, when its fleet of US-built F-4s will become obsolete.

esidencies

settlemer

КРЫМ: ЗАТЯЖНОЙ ПРЫЖОК From Kiev's leading newspaper, Kievskiye Vedomosti: Ukraine's peace-offering Kravcruk, left, prepares to catch Crimea's Meshkov, portrayed as a paractuting Napoleon pupper (Meshkov's

Sport is sky diving), with a fishing net. Yeltsin, menacing Kalashnikov in one hand, is offering a

near-invisible finger of support to the Crimean

INTERNATIONAL PRESS REVIEW

Russia, Ukraine in war of words

CRIMEA By John Lloyd, Jill Barshay and Leyla Boulton

Far from cheering on nashi (our side), Russia's newspapers, like its people, have been categorical in blaming "politi-clans" for the past week's stand-off between Ukraine and its Russian-dominated penin-

sula of Crimea. 'Politicians are doing everything so that holidaymakers sumbathe on barricades," said the liberal daily Izvestia, just as Kiev, Moscow, and Crimea, traditionally Russia's summer holiday playground, swapped threats over the Crimean parliament's decision to restore a secessionist constitution.

The official military newspa

fication with Russia, total sup-

per, Krasnaya Zvezda (Red Star), called for peace with s front page story headlined: Will the Politicians Stop at the Danger Zone?" Admittedly. most of the criticism was aimed at politicians in Ukraine, with many commenistors noting the influence of elections a month away. Despite popular resentment at Mr Nikita Khrushchev's decision to donate Crimea to Ukraine in 1954, Russia's papers refused to give Yuri Meshkov, the maverick Cri-mean leader who wants reuni-

Soviet Union have yet to find

port, According to Izvestia, he the confidence to comment absent coverage. It attacked was to be held responsible for forcefully on events: the over- Russia's Ostankino Television crying wolf on troop move- whelming majority print gov- for highlighting false rumours ments in Crimea, and under-mining its livelihood by scar-slors of events unedited and ments. ing away Russian tourists.

The mass-circulation weekly Argumenty i Fokty argued that the former KGB and Red Army, with the collapse of the former Soviet Union, had their own reasons for wanting the crisis to degenerate into war. "Many officers still think of

themselves as belonging to a single, although temporarily divided, system. They hope that a war in the Crimea will push Ukraine towards a gradual restoration of common statehood with Russia and that other ex-Soviet republics will follow suit," the paper said. With typical cheekiness, Komsomolskayo Praoda, the

former Communist youth daily, took s more lighthearted approach. Noting the way the dollar exchange rate in Crimea soared and then fell in a matter of days, it said the whole crisis had simply made currency speculators rich. It also speculated that the only reason Kiev had not deployed more armoured vehicles was that most of the equipment inherited from the Red Army had fallen into disrepair.

Most regional and local newspapers in the formsr unglossed. The Crimean press

follows this tradition closely. A typical edition of the main daily Krymskie Evestiya (Crimean News) - published by the Crimean supreme soviet - has press releases and regulations on the front page, with bland

Last Wednesday's edition had as its main story a transcription of the press conference given by Mr Sergei Tsekov, the supreme soviet chairman - under the headline: "We are working without fuss" - which, as a response to a region secused by the Ukrainian government of unlawful secession and provoking civil war, appears to lack urgency. Ukraine's press, still largely

under state control, devoted much space to reprinting presidential decrees on asserting anthority over Crimea's militia, and parliamentary resolntions giving Crimea 10 days to change its mind and rescind its "illegal" constitution.

As usual, the news was two days old at the time of printing. The singular anti-establishment paper, Nezavisimost, led a crusade condemning Russian and Ukrainian television

The paper charged Ostanking with "artistically editing" an interview with Mr Vitaly defence minister, which "gave the impression that poor little Crimea is choking in the grips of the Ukrainian monster. However, the outspoken paper lambasted Ukrainian Television for burying the story as an "insignificant matter. instead of providing full explanation and commentary.

In Necavistmost's opinion column, a Ukrainian MP lamented that Crimean negotiations in Kley last Wednesday ended without a concrete resolution confirming Crimea's status as part of Ukraine. Crimea's apparent reason for not sereetary delegation "lacked authority," wrote Mr Yuri Karmazin,

a Ukrainian MP.

The mainstream press' condemnation of Russia's widelyperceived role in stirring np troubles in Crimes was more subtle. Kiev's leading newspaper, Kievskiye Vedomosti, displayed two carefully chosen quotes side by side. It quoted Mr Warren Christopher, US secretary of state, noting that the US "recognises and highly values the responsible and peaceful position of Ukraine."
The paper then had a Russian
MP, Mr Konstantin Zatulin, saying that "the tansion around Crimea is connected not with the peninsula's politics, but with who'll be president of Ukraine."

In a separate story, Kievskiye Vedomosti drew an alarmine parallel between Crimea's bloody civil war which took place between Moldova and its Slavic-oriented, separatist region of Transdnelster. It noted that that "Tiraspol (Trans dneister's capital) also began with establishing its own power ministries." But this titbit was buried in the last paragraph of page 13.

For all the grim warnings in the Russian and Ukrainian press, more amusing than any-thing else this week, however, was President Boris Yeltsin's reported response to a barrage of criticism from his Ukrainian counterpart, Mr Leonid Krav-

Projecting his new-found image as father of the nation. Mr Yeltsin told Russians that despite all the fuss, it would be perfectly safe to go on holiday to the Crimea this summer

NOTICE OF MEETING OF DEBENTUREHOLDERS TRIZEC CORPORATION LTD.

NOTICE OF MEETING OF HOLDERS DF THE FOLLOWING SECURITIES ISSUED BY TRIZEC CORPORATION LTD. Senior Debentures to mature November 15, 1993: Senior Debeutures to mature June 1, 1998;

Bonds 1983-1993; 11-3% Senior Debentures to mature March 15, 1995;
5-4% Bonds 1985-1995;
9% Senior Debentures to mature September 13, 1995;
10% Senior Debentures to mature October 1, 1996;
5% Bonds 1987-1999; Scalor Debentures m mature 1995; 10'4% Senior Debentures Due June 22, 1999 and

Cdn. \$125,000,000 Senior Debentures Due June 22, 2009; SFR 150,000,000 Senior Debentures to mature 1997; U.S. \$60,000,000 U.S. \$40,000,000 Senior Debentures to mature 1995; Floating Rate Notes to mature 1995; and 11.125% Senior Debentures Due June 18, 1996; Cdn. \$115,000,000

(collectively, the "Debentures") NOTICE IS HEREBY GIVEN that, pursuant to an order of the Court of Queen's Bench of Alberta (the "Court") dated May 10th, 1994, as amended by a further order of the Court dated May 25, 1994 (the "Interim Order"), o meeting (the "Debentureholders Meeting") of the holders of the Debentures (the "Debentureholders") of Trizee Corporation Ltd. (the "Company") will be held in the Bankers Hall Auditorium, 315 - 8th Avenue S.W., P-3 Level, Calgary, Alberta, Canada on the 28th day of June, 1994 at the hour of 10:00 o'clock a.m. (Calgary time), for the following purpos

to consider, pursuant to the Interim Order, and if deemed advisable, to pass a resolution (the "Resolution") to approve an
arrangement (the "Plan of Arrangement") pursuant to section 192 of the Canada Business Corporations Act, the full text of
which Resolution is set out in Appendix "E" to the Management Proxy Circular mailed or otherwise made available to

to transact such other business as may properly be brought before the Debentureholders Meeting or any adjournment thereof. At the Debentureholders Meeting, each holder of Debentures will have one vote for each Cdn. \$1,000 principal amount of such Debentures held (the principal amount of Debentures payable in other currencies for such purposes to be cooverted using exchange rates prevailing as of April 25, 1994, being U.S. Dollars 1.3813, ECU 1.5859 and SFR .9646 as specified in the Interim Order).

The Court has set the quorum for the Debentureholders Meeting as two or more persons emitted to vote in person or by proxy holding in the aggregate at least a majority of the outstanding principal amount of the Dobeatures determined in Canadian dollars as provided

The record date for entitlement to notice of the Debentureholders Meeting is the close of business on May 11, 1994. The record date for entitlement to vote at the Debentureholders Meeting has been established as 10 days prior (excluding the date of the Debentureholders Meeting) to the date of the Debentureholders Meeting and only those Debentureholders who (i) as registered Debentureholders are entered on the applicable register of Debentures or (ii) as holders of unregistered Debentures, have complied with the deposit procedures referred to below, are estitled to vote in person or by proxy. Holders of Debeatures in unregistered or bearer form desiring to attend and vote in person or by proxy at the Debenturcholders

Meeting or any adjournment thereof, without producing such Debentures, may deposit same with a custodian listed below and will receive in exchange a Voting Certificate(s) which will entitle the holder named thereto to be present and vote to behalf of the holder at the Debentureholders Meeting and at any adjournments thereof or to appoint a proxyholder to represent and vote on behalf of the Debentureholders at the Debentureholders Meeting and any adjournment thereof. Debentures so deposited will be beld on deposit until after the Debentureholders Meeting and any adjournment thereof and will only then be returned to the depositor on presentation of the receipt

A Debeutureholder may attend the Debeutureholders Meeting in person or may appoint another person as proxyholder. To appoint a person to attend as proxyholder, a Debeutureholder must deposit with the Company, e/o Mootreal Trust Company of Counda (the "Trustee") at the address specified below, an instrument appointing the proxyholder, signed by the Debeutureholder or an attenuey of the Debeutureholder, prior to 5:00 p.m. (Calgary time) on the second day (Saturdays, Sundays and holidays to Calgary excluded) preceding the date of the Debeutureholders Meeting or any adjournment thereof or with the Chair of the Debeutureholders Meeting prior to the The forms of proxy, which accompanied the Management Proxy Circular, name Kevin E. Benson and Willard J. L'Heureux, each a

director and officer of the Company, as proxy nominees. Debentureholders may oppoint another person as proxyholder by inserting the name of such person to the space provided in such form of proxy or by completing another valid form of proxy. Persons appointed as proxyholders need not be Debeotureholders. Debeotureholders may not appoint Montreal Trust Company of Canada, the Irustee for the The vote required to pass the Resolution is, subject to further order of the Court, the affirmative vote of not less than two-thirds of the

votes cast by the Debenturcholders, voting as a single class, in respect of the Resolution. The Plan of Arrangement is subject to the approval of the Court. The matter is scheduled to be heard before Mr. Justice G.R. Forsyth at The Court House, 611 — 4th Street S.W., Calgury, Alberts, Canada at 1000 s.m. (Culgary Time) on July 6, 1994. Additional details concerning such hearing are set forth in the Management

If Debeatureholders have any questions about the procedures to be followed to qualify to vote at the Debeatureholders Meeting or about obtaining, completing and depositing proxies and voting certificates, they should contact Montreal Trust Company of Canada at (403) 267-6893.

DATED at Calgary, Alberta, this 27th day of May, 1994.

510 Burrard Street

Canada V6C 3B9

Vancouver, British Columbia

Boulevard E-Jacquain, 151 B-1210 Brussels, Belgium

Attention: Corporate Trust Departmen

By Order of the Board of Directors,

(Signed) KAREN E. JACKSON Senior Vice President, General Counsel

Debenioreholders who are unable to attend the Debenturcholders Meeting in person are requested to date and sign the applicable form of proxy which accompanied the Management Proxy Circular and either deliver or small it in the envelope provided to Trizee Corporation Led. c/o Montreal Trust Company of Canada, 411 — 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E7, prior to 500 p.m. (Calgary time) on the second day (Saturdays, Sundays and bolidays in Calgary excluded) preceding the date of the Debentureholders Meeting or any adjournment thereof or deposit same with the Chair of the Debentureholders Meeting prior to the commencement thereof. The time limits for depositing proxies prior to the Debentureholders Meeting may be waited by the Company in

Copies of this Notice and the Management Proxy Circular containing the Resolution and cuitable forms of proxy are being or have been mailed by first class prepaid mail to all holders of fully registered Debentores and Debentures registered as to principal only. Additional copies of such documents and instructions and forms of voting certificates and proxies for the purpose of enabling the holders of agregistered Debentures to be present and vote at the Debentureholders Meeting in person or by proxy may be obtained from the following custodians in respect of the series of suregistered Debentures indicated:

(a) For all series of Debentures la unregistered or hearer forum Montreal Trust Company of Canada

Montreal Trust Company of Canada 411 — 8th Avenue S.W. Calgary, Alberta Canada T2P 1E7 Attention: Corporate Trust Department

Mentreal Trust Company of Canada Piece Montreal Trust 1800, avenue McGill College

Montreal, Quebec Canada H3A 3K9 Attention: Corporate Trust Department Caradian Imperial Bank of Commerce

Calgary, Alberta. Canada T2P 2P2 (b) For SFR 100,000,000 6%% Bonds 1983-1993 SFR 100,000,000 54% Bonds 1985-1995

SFR 100,000,000 5% Bonds 1987-1999: Swiss Bank Corporation Bacrengasse 16 CH-8010 Zurich

309 - 8th Avenus S.W.

(c) For ECU 56,000,000 94% Senior Debentures to mature September 13, 1995.

Société Générale Alsacienne de Banque 15 avenue Emila L-2420 Luxembourg

Montreal Trust Company of Canada 151 Front Street West Toronto, Ontario Canada M5J 2N1 Attention: Corporate Trust Department Cedel S.A.

67 Boulevard Grand Duchesse Charlotte

Clinton denies shake-up plan

By Jurek Martin in Washington

President Bill Clinton has denied that he plans imminent changes to his much criticised foreign policy team.
In a weekend interview with

the Los Angeles Times, Mr Clinton conceded he had problems communicating his foreign policy goals to the public at large. But that deficiency, he said, should not be laid at the door of either Mr Warren Christopher, secretary of state, or Mr Anthony Lake, the

national security adviser.

The president said he had talked to "s huge number of people" about foreign policy in it had been subject to what he called "relentless criticism." the Carter administration. Pop-He could well imagine that an ular variations have had both

his team but he suggested that his secretary of state, in particular, was involved in delicate and indispensable negotiations in the Middle East and over

Mr Clinton's decision last week to renew China's most favoured nation trading status without reference to its human rights record has again produced a wave of political and media criticism for his lack of foreign policy constancy.

This, in turn, has given new impetus to the rumours that have periodically swept over Washington for months about the fate of Mr Christopher and Mr Lake, old colleagues from Berger, respectively.

An alternative version has had Mr Talbott, a friend of the president dating back to their Oxford days, move to take over the national security council from Mr Lake. This post does not require approval by the Senate, where earlier this year over 30 members voted not to confirm Mr Talbott as deputy secretary of state.

Another widely canvassed option had Mr Clinton appointing a generally respected heavy hitter as the new secretary of state. This might be even a Republican or, in a total coup de théâtre, retired General Colin Powell, until last year head of the joint chiefs of staff. Matched against all this

impression had been left that replaced by their deputies, Mr speculation have been two seri-he was planning to reshuffle Strobe Talbott and Mr Sandy ous factors. First, there is no ous factors. First, there is no hard evidence that Mr Clinton. having already ditched his first secretary of defence, Mr Les Aspin, has lost confidence in Mr Christopher or Mr Lake in the face of the critical battery. Second, a change at the foreign policy helm now would be

freely interpreted as a sign of weakness and a distraction from domestic policy priorities in the run-up to mid-term con-gressional elections that already have the White House and the Democratic party ner-

It would seem more appropri-ate for Mr Clinton to entertain a reshuffle some time well into next year. Candidates then for the State Department might



Christopher, periodic rumours ell, the majority leader who is retiring at the end of this year, or a party heavyweight such as Senator Bill Bradley of New Jersey, whom Mr Clinton thed during the transi-

tion about becoming secretary

Housing shortage at centre stage in Israel

David Horovitz on a lack of land and labour

n a terraced hillside rising above west Jeru-salem's huge new Malha shopping centre, rows of new housing stand close to completion - outside walls faced in golden Jerusalem stone, roofing finished, hut with windows missing, no plumbing, and electricity yet to be connected.

Across town, in the Talpiot neighbourhood, Yitzhak, bespectacled building manager of a deserted site, explains the malaise: "There are no Palestinians coming in from the territories to work. And without Palestinians there's no build ing."
The closure of the occupied

territories - which is keeping virtually all Palestinians workers from their jobs inside sovereign Israel - has exacerbated a problem that has now become a priority for Prime Minister Yitzhak Rabin's moderate Labour government: the soaring rise in bouse prices.
For the third time in eight days, the Israeli cabinet yesterday devoted a full meeting to the issue, finally approving

measures to free land for 50,000 new housing units this year setting aside cheaper housing for those most in need, and introducing incentives for contractors to complete at top

Even yesterday's measures seem far too limited to achieve a drastic improvement

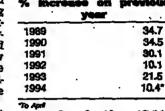
The problem, basically, is a matter of supply and demand. "In Jerusalem, for example," says real estate agent Alex Losky, "there's huge demand. Everybody wants to live here. But there's just no land available for building on." Supply has been limited by

the amount of red tape blocking allocation of new areas for construction - the innumera-

ble local, regional and national committees from which approval must be sought. And once land is allocated, private contractors - well aware of the spiralling prices - are in no hurry to complete projects. The longer they take, the higher the price they'll be able

Even contractors trying to work fast have been hampered by the closure of the territories. Previously, 65,000 Palestinians worked in construction inside Israel; yesterday, the cabinet agreed reluctantly to lift the closure order on just

ISRAELI HOUSE PRICES



13,000 of them. Asked why, with a national unemployment rate of 10 per cent, Israelis were unwilling to fill the vacmm. Mr Yehuda Goren, deputy director of the Contractors' Association, said: "The Israeli unemployment reservoir is generally composed of people who aren't fit to work in construction. There is potential to recruit only about 3,500."

Mr Goren thought pay was

quite competitive, and stressed Palestinians and Israelis were offered the same rates, ranging from 2,100 shekels (about £460) to 3,500 shekels a month - below, but not far below, average Israeli wages. Israel has taken to bringing in workers from Thailand, Romania and other cheap labour countries. Mr Goren said there would be workers in Israel by the week's end. Their minimum 1,500 shekels a month. While land and labour shortGr

ages limit supply, demand is booming. Even though the pre-Gulf war era of 20,000 Russian immigrants a month is now a distant memory, new arrivals still average a monthly 6,000. Before the autonomy deal with the Palestinians, many thouine Palestinans, many thousands of cash-strapped families could find chesper housing in the occupied West Bank, but only the most ideologically committed are buying homes in settlements today. A further wave of demand for homes inside sovereign israel is inevi-table when, sooner or later, the government effers compensation to settlers willing to leave the occupied territories.

On top of all these factors demand is also being fuelled by foreign Jewish investment in Israeli property which, accord-ing to Mr Bennie Loval of the agency, accounts for 40 or even 50 per cent of house purchases in the best areas of Jerusalem, Tel Aviv and coastal towns like Herzilyah and Netanyah. In the previous Likud gov-ernment, Mr Ariel Sharon, former general and defence minis-

ter, was housing supremo. He buildozed through much of the red tape, and paid tens of millions of dollars in incentives to contractors, to shake the industry into a period of furious construction. Mr Sharon concentrated much of his building efforts on the south of Israel, the Negev desert where jobs are scarce and where even new immigrants were reluctant to live. As the Rabin government tries to address the housing shortage, many of Mr Sharon's southern apartments stand empty.

N Korea faces renewed threat of sanctions

By John Burton in Seoul

The North Korean nuclear issue may be referred by the US and South Korea soon to the United Nations Security Council for punitive action, following Pyongyang's refusal to allow international inspectors to examine fuel rods being withdrawn from its nuclear reactor. The International Atomic Energy Agency reported at the weekend that

negotiations with North Korea on the inspection of fuel rods had broken down, with Pyongyang continuing to remove them in spite of IAEA protests. The IAEA wants to analyse the rods to determine whether North Korea has previously diverted pintonium pro-

proposals to secure some of the 8,000

fuel rods to verify that the reactor core duced by the 5MW reactor for its suspected nuclear weapons programme. But North Korea refused all IAEA

is the original installed in 1986. The reactor was shut down for 100 days in 1989, leading to speculation that North Korea removed some of the plutoniumrich fuel rods to make nuclear devices. The US and South Korea havs warned that if inspection is blocked, they would ask the UN for economic

sanctions on North Korea. Pyongyang

has said this would be "an act of war".

There is a faint hope the issue could be resolved, since two IAEA inspectors remain at the North's Yongbyon nuclear complex to supervise the rods' removal, which is half completed.

North Korea said it would not com-ply with the IAEA's demand concern-ing the fuel rods since it claimed a "unique status", referring to its move to withdraw from the nuclear non-pro-

Colombian presidential vote looks close-run

By Stephen Fidler and Sarita Kendali in Bogotá

Colombia's long-standing domination by its two traditional political parties seemed set to continue yesterday in the first round of Colombia's

presidential elections. Pre-election opinion polls suggested the ballot would be close run, with both candidates leading soms polls. However. neither Mr Ernesto Samper, of the Liberal party, nor Mr Andres Pastrana, of the Conserva-tives, seemed likely to win the majority needed to avoid a runoff on June 19,

Although the election campaign has not been so far marred by the violence of the previous presidential campaign. in 1990, when three presidential candidates wers killed, abstention among Colombia's 17.1m eligible voters looked set to remain high. In polling stations in the slums that stretch south of Bogota and even in north, fewer than 10 per cent of those eligible turned out in the first two bours of polling. Abstention rates of 60 per cent

or more are not unusual. A record 18 candidates are standing for the presidency and each for the first time has a vice-president on the ballot. However, the Liberal and Conservative parties, which have dominated Colombian politics since the 19th century, continThe high voter apathy has been hlamed in part by the great similarities perceived between the programmes of both leading candidates. Mr Samper, 43, has already fought one slection to win the Liberal candidacy. An economist and former minister of economic development in President Cesar Gaviria's cabinet, he has campaigned for a softening of the Gaviria economic modernisation programme. He has emphasised job creation, rais-

cent of GDP and subsidising agriculture, much which has been hit hard by lower tariffs. Mr Pastrana, 39, a former television presenter, senator and mayor of Bogota, also stresses social investment and education but gives the private sector a strong role in his proposals. Mr Pastrana's slick campaign appears to have won him support from younger voters, and from a high proportion

Banker to head Caracas Daring vision or time bomb privatisation programme

President Rafael Caldera of Venezuela, after less than four months in office, reorganised his cahinet at the weekend, appointing Mr Carlos Bernardez to head the country's stalled privatisation programme. Mr Bernardez worked for many years as preaident of Banco de Venezuela, one of the country's largest and strongest

By naming a respected pri-vate-sector figure to head the privatisation programme. Mr Caldera hopes to convince prisbout selling off state-owned

serious setback on May 20 when it failed to obtain any tenders for the sale of a stateowned airlins. Aeropostal. which was its highly publicised first effort at privatisation. Mr Bernardez replaces Mr Abdon Vlvas Teran, a long-tims congressmen and close supporter of President Caldera. who headed the privatisation programme until now.

Aside from Aeropostal, the government has a long list of companies scheduled for privatisation, including three electric power companies, a group of hotels and joint ventures in heavy industry.

Of the seven esbinet changes, the only other new

face is Mr Alfredo Gruber, who takes over as state minister in charge of the CVG (Corporacion Venezolana de Guavana). the government-controlled group that includes steel and aluminium producers, mining companies and the country's largest hydroelectric power concern. Mr Gruber, a veteran executive in Venezuela's oil industry, was previously president of Palmaven, a subsidiary of PDVSA, the national oil

The government changes come at a time of increasing economic problems and reflect the president's desire to eliminate public squabhling that has occurred among cahinet ministers in the past.

Kieran Cooke reports on a huge dam planned for Sarawak he jungle light quickly fades. The rain pounds like a hundred machine guns on the roof of the Long Murum longhouse. The men, descendants of Borneo's headhunters, their arms and legs covered in tattoos, sit round a flickering kerosene lamp. They chew betel nut and drink rice

development. Here, in the heart of Sarawak, East Malaysia, plans are under way for South-East Asia's biggest infrastructure project - a M\$15bn (£3.85bn) dam nearly twice the height of the Aswan dam in Egypt.

wine. Talk is of change and

The dam, at Bakun a few miles downstream from Long Murum, will flood an area larger than Singapore. Long Murum and 14 other tribal longbouses will disappear. More than 8,000 tribespeople whose families have lived and bunted in the area for genera

tions will be resettled. To some, Bakun is another example of Malaysia's confi dence in the future and s trib-ute to the daring vision of Prime Minister Mahathir Mohamad. "It's s project whose time has come," said Dr Mahathir earlier this year.

To others Bakun is an ill conceived scheme of doubtful economic merit which could bring environmental disaster to one of the world's few remaining areas of tropical rainforest and sound the death knell for a unique tribal cul-ture. "It will be an ecological time bomb sitting right in the centre of Borneo," says Mr Sim Kwang Yang, a Sarawak-based opposition MP.

Bakun has been discussed for 14 years but only recently given the go-ahead by the govsrnment. Producing 2,400MW of electricity by early next century, the government says Bakun will not only meet the needs of Malaysia's fast industrialising economy. It will also turn Malaysia into a regional power exporter.

Bakun poses considerable technical challenges. It is being hullt at a site more than 500km upriver from Sarawak's coast. The journey to Bakun involves crossing a number of treacherous rapids. New roads will have to be built through dense jungle to bring in building materials and engineering equipment.

Taking the power out of Bakun will involve even greater difficulties. Some of the electricity generated will go to Sarawak liself and to the neighbouring Malaysian state of Sabah. However, the bulk of the power will go to peninsular Malaysia, first hy 670km of overhead cables within Sarawak and then through 650km of cables under the South Experts point out that power

and have not been taught the

The Bakun project Compared with other large Asian and African dams

bo Ghane Kosson feors Coast

transmission through such a lengthy underwater cable has never been attempted. They are either being very daring or very foolish," said one Kuala Lumpur based energy company executive. Considerable power loss seems inevitable.

Bakun will be a private sec-tor project. In January this year the government signed a memorandum of understanding giving management of Bakun to the locally based Ekran company. The announcement was greeted with some surprise. There was

no teodering process involved. Controlled by Mr Ting Pek Khiing, a Sarawak-bassd Malaysian Chinese, Ekran was established only in 1991 and has no experience in projects of the size of Bakun. Mr Ting, a swashbuckling entrepreneur who has made a name for himself as a tourist resort developer, is supremely confident We can build anything on earth," be says.

Mr Ting says between 60 and 70 per cept of financing for Bakun will be raised from domestic sources and insists the project can be built in six years, without federal or state funds. Ekran is widely believed to be backed by Mr Daim Zainnudin, a former federal finance minister and an economic adviser to the government.

ome trihespeople feel the Schangs the dam will bring is part of an inevitable process. "Our ways are altering anyway," says Mr John Bampa, who works in the small town of Belaga, close to the Bakun site. "As children we were taught to hunt wild pig and fish. But the new generatioo bave been to school

However, many tribespeople say they have not been consulted about Bakun or given any project details. Some reports say a series of dams are to be built in the area. In recent years 17 technical studies have been carried out on Bakun. A government min-ister told parliament this year those documents remain classi-fied under Malaysia's official

Gara Jalong, one of a group of longhouse dwellers who two weeks ago tried but failed to present a petition opposing Bakun to the Sarawak State Assembly, says a governmentappointed committee on Bakun does not represent the tribespeople. "Many of its members have been responsible for selling our lands to the logging

Logging is very big business in Sarawak. in the past tribespeople who have interfered with the activities of the logging companies have been imprisoned. Though Malaysia says it is committed to curtailing logging it is still by far the world's largest exporter of unprocessed tropical timber most of it from Sarawak.

Over the last 12 months prices of many tropical hardwoods have more than donbled. in a 1991 review of forestry activities in Malaysia the World Bank said Sarawak's trees were being cut at about four times the sustainable rate - a judgment flercely denied by the government. Mr Abdul

Taib Mahmud has been Sarawak's chief minister since 1981. In exchange for support of Dr Mahathir'a national front coalition government, Sarawak is left largely to govern itself. An uncle and political rival

of Mr Taib once accused the chief minister and his political

allies of controlling 30 per cent of Sarawak's timber concessions. Two of Mr Taib's sons are among Ekran's main shareholders. Mr James Wong, Sarawak's environment minister, also controls one of the state's biggest timber companies.

Bakun is being built on the upper reaches of the Rejang, Malaysia's longest river. An area of more than 80,000 hectares (200,000 acres), much of it virgin rain forest, will be clear cut to accommodate the dam.

nvironmentalists allege logging has already caused severe soil erosion. Locals say ten years ago the Rejang's waters were clear and fish were abundant. Now the river, nearly a mile wide in places, is a muddy brown colour and there are few fish. Water levels fluctuate wildly.

The government seems determined that Bakun will go ahead but is waiting for Ekran to submit an environmental impact atudy on the project. It has yet to decide whether that study will be made public. In the past Dr Mahathir has

attacked both local and foreign groups that have lobbied on behalf of native peoples: he has said such groups would prefer to see the jungle dwellers living "like monkeys in trees" instead of sharing in Malay. sia's development. Lihan Ahang, a native chief

at Long Murum, points to a faded black and white photograph of his grandfather, a warrior who fought against the Brookes, the White Rajahs of Borneo. "We are not against development," he says. "But I am sad about this project. It meens giving up our lands and leaving the graves of our ancestors. It means changing our whole way of life."

aiscuss war in Yemen

The United Nations Security Council will tomorrow discuss Yemen's month-old civil war following a joint appeal from Egypt, Saudi Arabia, Kuwait, Oman, Bahrain and the United Arab Emirates.

Though the outcome of the meeting remains uncertain, the fact it has been called appears to serve south Yemeni political interests. Indeed, the appeal from the six nations now suggests implicit recognition for the new southern government in spite of objections from northern leader General Ali Abdullah Saleh

Support from the six Arab nations follows intensive diplomatic efforts by the south over the past month and is widely viewed as a political coup for the break-away state.

Shortly after the start of hostilities on April 27, Gen Saleh and other northern leaders warned the international community against attempts st mediating, saying it would amount to meddling in Yemen's domestic politics. Those warnings were repeated last week when Saudi Arabia initiated the current proposals.

Supported hy his political

allies in the fundamentalist Islah party, Gen Saleh claims to represent constitutional legitimacy in the country and has vowed to crush what he calls rebellion by the southerners. He is unlikely to heed any international objections, especially if he entertains hopes of a military victory,

The prospects of such s northern victory, though, appear less likely with each passing day. To win the war Gen Saleh had to capture Aden and other key regions of the aouth. A month ago, hs boasted of easy victories. But northern troops attempting to enter Aden have met with stiff resistance and advanced only to 60km from the city.

Lacking any air cover. Can Saleh's troops approaching Aden from the north have been exposed to relentless bombing and strating by southern jets while those approaching from the east and west have come under heavy naval bombard ment from southern ships.

Stalled in efforts to reach the southern capital, Gen Saleh last week opened a new front to the east, aiming to capture the oil fields of the Wadi Hadhramaut, some 700km north-east of Aden. But southern leaders wers unruffled by the new northern thrust, saying that Gen Saleh was over-extending his forces and making them easy prey to counter attack.

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By Peter Norman, Economics Editor

By Jimmy Burns

Noraid, an organisation once

stigmatised as the Irish Repub-

lican Army's main fund-raising

arm in the US, is openly defy-

ing a court order to file regular

reports with the Department of

Justice in Washington.
However, officials at the department say Noraid is no

longer of concern - they

describe it as "moribund" and they are prepared to turn a blind eye to its failure to file.

Under the US Foreign Agents

Registration Act, Noraid has been required since the mid 1970s to give details of its fund-

raising activities at least twice

a year. But Noraid has not filed with

the Justice Department for

three years. The last recorded

file covers 12 months ending

Mr Martin Galvin, a lawyer

and Noraid'e spokesman, says the organisation's leadership

has no affiliation or relation-

ship with the IRA. He says its

sole purpose is to contribute funds to families of political prisoners and to lobby in the

In an interview in New York.

Mr Galvin said: "We don't

believe we are required to reg-

ister under law. We are not

agents of the IRA. We are

Americans who under the US

US for a united Ireland.

July 1991 and is incomplete.

The Treasury is likely to revise upwards its forecast for UK economic growth this year on the strength of increasing evidence that activity has withstood the impact of April's tax

Treasury economists are drawing un a new forecast for publication around the end of next month. It is expected to upgrade last November's Budget forecasts for 1994 of 2.5 per cent growth of gross domestic product and 2.25 per cent growth for GDP

'Moribund'

Noraid ignores

US court order

Economic indicators for April, published this month, suggested that the and indirect taxes. At about 7 per economic upturn is gathering strength. This trend is likely to be confirmed by early data for May, due this week.

Economists expect Bank of England figures tomorrow will show that seasonally adjusted growth of MO, the measure of "narrow" money - com-prising mainly coins and banknotes in circulation - accelerated to about 7.1 per cent in the year to May from 6.2 per cent in the year to April.

MO is regarded as a useful guide to the trend of retail sales, which grew strongly last month in spite of the

constitution's First Amend-

ment have the right to express

A similar assertion by the

evious leadership of Noraid

led to a lengthy legal battle in the late 1970s between the organisation and the Justice

Department. In 1981, it resulted

in a judicial decree confirming Noraid's links with the IRA.

Department of Justice has no

plans to take Noraid to court

over its apparent defiance. Offi-

cials argue that to do so would

risk generating renewed sup-port for the organisation when

Justice Department officials

say they have not carried out a

British and American intelli-

gence sources currently esti-

mate that the fund-raising

effort has dipped from a high

of nearly \$1m a year during the

hunger strikes in the early

1980s to between \$100,000 and

\$200,000.

formal audit on Noraid's

eccounts since the mid 1970s.

its finances are dwindling.

Thirteen years later, the

our views on Ireland."

and indirect taxes. At about 7 per cent, M0 would be growing at nearly twice the ceiling of the government's 0 per cent to 4 per cent "monitoring range" for narrow-money growth this

The Chartered Institute of Purchasing and Supply is due to publish its purchasing managers' index on Wednesday. This indicator, which is based on techniques developed successfully in the US, is also expected to point to further increases in activity. The forecasters' consensus of nearterm growth prospects has been creeping upwards in recent weeks.

A Treasury survey of 32 new inde-pendent forecasts in May found that the average expectation of growth was 2.7 per cent for this year and 1995 compared with 2.6 per cent for each year in April.

The recent report of the Treasury's panel of economic advisers - the so-called "six wise men" - produced average GDP growth forecasts of 2.9 per cent for this year and 2.8 per cent in 1995.

With growth projections ranging from 2.6 per cent to 3.4 per cent, each of the advisers forecast that growth this year would exceed the November Budget prediction.

Seasonally adjusted figures from the Central Statistical Office last week showed that first-quarter GDP was 2.6 per cent up on the first quarter of last year and 0.7 per cent higher than in the final quarter of

However, after removing buoyant oil and gas extraction from the figures, economic activity only recovered in the first quarter to the average level of 1990.

First-quarter GDP, excluding oil and gas, was 0.6 per cent higher than in the final 1993 quarter and just 2 per cent up on the first quarter of last **Britain** in brief



Poll boost for Blair and Beckett

A joint leadership ticket of Mr Tony Blair and Mrs Margaret Becket was being promoted within the opposition Labour party yesterday as three potential candidates for the leadership outlined their vision for a future Labour government.

The latest opinion poll showed overwhelming support for Mr Blair, shadow home secretary, to become leader, and Mrs Beckett, the deputy leader, to keep her post

The poll, compiled by the BBC, included elements of all three of the electoral college of MPs and MEPs, levy-paying trade unionists and

constituency parties. It showed Mr Blair with 48 per cent against 17 per cent for Mr Gordon Brown, Labour's shadow chancellor. More than 40 per cent wanted Ms Beckett to continue as deputy leader. The contest will not start

officially until after the Jone 9 European elections.

Managers turn to altruism

British managers like nothing more after a hard day at work in the caring 1990s than to start managing again, it seems - but this time for no pay and to help others, according to a survey of 3,000 members of the Institute of Management published today.

More than half of the 857 managers who replied to the survey said they undertook some form of voluntary work in the community, Two-thirds of those who did not do community work said they would like to.

Just one in 10 managers admit that they are seeking to make social or business contacts. Most told the survey they volunteer from a sense of social responsibility and a feeling of satisfaction from helping others.

Scientists warn on overgrazing

Overgrazing is damaging heather moorland across most of the uplands of England, eccording to English Nature, the government's statutory adviser on nature

conservation. Large amounts of heather moorland have been lost since the 1940s due to sheep grazing, a survey by scientists at English Nature showed. In Cumbria, about 36 per cent of upland heather had disappeared by the late 1980 The same percentage of heather moorland was lost in the Northern Peak District between 1913 and 1979, most of it since the 1940s.

Police pressure for drugs policy

The government was facing growing pressure yesterday to launch n major education ampaign in a bid to counter the soaring use of drugs as police chiefs renewed their call for attention to be switched from supply to demand of drugs.

Mr Keith Hellawell, the chief constable of West Yorkshire and chairman of the chief constables' committee on drugs, stepped up pressure for government action against the growing demand for drugs.

Mr Hellawell, who has suggested that cannabis might be legalised at some point as part of e new approach to drugs, is to chair a chief constables' conference on drugs starting on June 8.

GPs see more stress cases

Britain is the grip of a "stress epidemic", with family doctors often taking over the counselling role of parish priests, according to a report published yesterday.

A bleak picture of the country's moral and mental

A survey of 650 general practitioners showed that more than 80 per cent said the number of patients with stress-related problems had increased significantly over the past 15 years.

well-being is painted in a

Association News Review.

survey in the British Medical



As religious figures, opposition parties and charity groups dealing with the homeless attacked prime minister John Major's recent description of Britain's beggars as "an eyesore", homeless people marched through London yesterday to commemorate those who had died on the streets. Weekand reports indicated that one in four single homeless people has served in the armed forces

Tories argue over single currency

By Roland Rudd

Sir Leon Brittan, European Union commissioner, yesterday predicted that the community would back a single Europe currency and warned that the issue would not go away.

In the last accounts filed at the Justice Department, Noraid claimed it had raised \$1.8m in His comments on the controversial policy were immedithe 12 months to July 1991. ately refuted by Sir Christo-Government officials say the pher Prout, leader of the Conservative MEPs, and Configure is artificially inflated to servative Central Office. mask the financial weakness of republican groups in the US. Mr John Major's advisers

Search for support, Page 13 tion of Sir Leon, the former

Conservative trade and industry secretary, in the middle of

the European elections. The prime minister has said he does not believe that a single currency will come in his In an interview with the

BBC, Sir Leon, referring to the single European currency, said: "Where people in Britain would make a great mistake is If they think that it is not going to happen.

"It is going to happen and since the collapse of the were irritated by the intervenexchange rate mechanism in

its old form, the fact is that most of the countries of continental Europe are keener than ever to go ahead with a single

Sir Christopher dismissed Sir Leon's predictions, saying the moment for a single currency had come and gone. He made it clear that while the government was not opposed to the principle of a single currency it was up to the British parliament to decide if it wanted

However, be added: "There would be difficulty in getting

one through Parliament because of the deep seated opposition to it in the coun-

Sir Leon said the fact that the rest of the EU was moving towards a single currency did not mean that Britain had to follow suit. "But it is important that we do not think it is going to go away and not hap-

He denied that there was a need for concern because Britain had the option of a single currency but not the obli-



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FINANCIALTIMES

And the second s

BACKTO THE FUTURE

ang 'empowerment' long more it became fashionable. Martin Dickson on the company's formidable reputation for innovation

t 3M, the US manufacturing giant, they never of telling one another - and anyone else who will listen the remarkable story of Richard Drew and William McKnight.

Drew was an enterprising young 3M laboratory assistant in the early 1920s who had a great new product idea: a glue-covered paper which would make it easier for car manufacturers to paint their vehicles without the colours running.

McKnight, his boss at what was then a humdrum sandpaper manufacturing business, was unim-pressed and suggested he drop the research. Drew persisted and invented masking tape - the first of the family of Scotch brand sticky tapes which transformed the fortunes of the business.

A chastened McKnight - who as company president played the crucial role in forming the company's shape and culture - proclaimed that from now on all 3M laboratory staff would be free to devote 15 per cent of their time to research of their own - a guideline that persists to this day.

And in 1941, in a paper spelling out 3M's management philosophy, he declared that employees must be allowed to perform their work in their own way - a principle which anticipated by 50 years the current management fashion for worker "empowerment".

People would make mistakes, McKnight declared, but in the long run these would not be as serious as "the mistakes management will make if it is dictatorial and undertakes to tell those under its authority exactly how they must do their

The tala is of more than historic interest. 3M managers use it frequently both to explain and reince the extraordinarily strong corporate culture which has made the group one of America's most inventive businessas, manufacturing more than 60,000 products, ranging from aerosol inhalers to film, video

t the weekend they were hob-nobbing among the sheep at

Glyndebourne. Last Monday

night they were hard at it among

the begonias at Chelsea. The season

is upon us when business execu-

tives and their contacts get together

Far from disapproving of all this

junketing, I love it. On the - regret-tably few - occasions that I have

been on the receiving and of corpo-

rate hospitality. I have had a splen-

did time. Two weeks ago my hus-

band and I were taken to Covent

Garden by BP. We had good seats and nice champagne and smoked

What puzzles me about this hectic

tertaining is why companies do it. Why did Enterprise Oil invite 200

salmon, it was all most pleasant.

people and their spouses to a pri-vate amoop round Chelsea on Mon-

day, followed by a lavish meal?

Why do 300-odd companies pay up

to £20,000 a year to take a few guests to Glyndebourne? Surely in

this age of sleek and professional management, no one takes deci-

sions based on Wimbledon tickets

og a box at Ascot. Could it be that

NTIAL

tape and home cleaning sponges.

"The culture is innovative," says
William Coyne, vice president for
research and development, "but management has to continue clearly defining that, for example by revisiting the successes of the past." It is no accident that a corporate video sent out this year to sub-sidiaries around the world opened by quoting McKnight's 1941 remarks

3M's inventiveness means that it consistently ranks in surveys of businessmen as one of the most admired corporations in the US. It was also prominently featured as one of the country's best-run companies in the early 1980s best seller in Search of Excellence by management guru Tom Peters.

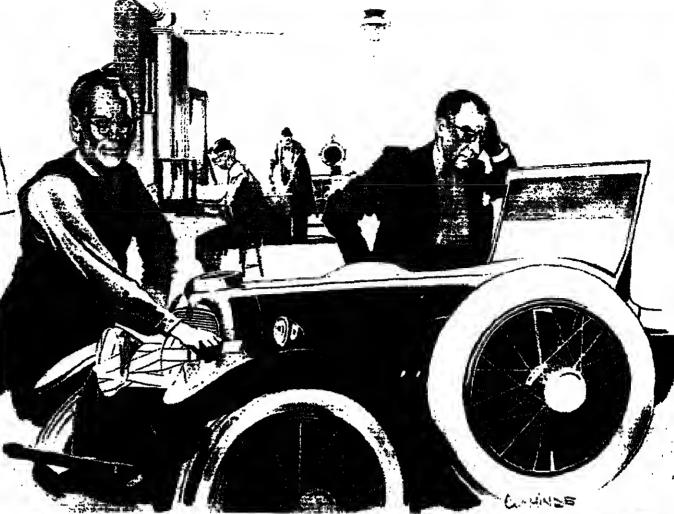
Such accolades, and the prida that accompanies them, can often be the prelude to a fall - as graphically demonstrated by the management upheaval over the past two years at struggling IBM, another In Search of Excellence star.

But over the past decade 3M has quietly kept up its solid growth,

Accolades, and the pride that goes with them, can be the

without the fuss, managerial upheaval or vast write offs common at some big US corporations, from its beadquarters near Minneapolis/ St Paul - a land of freezing winters and hot summers on the edge of the Great Plains which fosters down-to-earth Mid-western values rather than corporate pretension.

True, its financial results over the past five years have been unexciting, falling short of its own goal of earnings per share growth averag-



Richard Drew (left) had a great idea: a give-covered paper which would make it easier to paint cars. His boss, William McKnight, was unimpressed

increasingly that of the world, since some 50 per cent of Its sales are now overseas, up from 37 per cent in the mid-1980s.

As the US economy strengthens, and Europe emerges from recession, analysis are predicting earnings per share growth of around 8 per cent this year and 16 per cent in 1995. However, there can be no room for complacency at 3M, which faces two central management challenges in the 1990s if it is to retain its enviable reputation.

Intense international competition in most of its markets means that customers have come to expect excellent service at very low cost, making it harder for manufacturers to claw back through prica increases the impact of inflation on their manufacturing costs.

This pressure on margins means 3M has to improve constantly its productivity in manufacturing and distribution, while trying to steal a march on rivals with the invention of new products which, in the words of ReD chief Coyne, "change the basis of competition". As an example, he cites a new kind of reflective material which 3M says is three times brighter than that previously used on road signs.

"We have to continue creating, says Livio DeSimone, the chemical engineer who has been 3M's chairman and chief executive since November 1991, "but we must bring ing at least 10 per cent a year.

But this is mainly because 3M is a the user. This is the hot topic for us today — and for all those who've got today — and or all those who've got their ayes open and want to sur-

Some Wall Street critics argue that 3M has been too slow to cut manufacturing costs in Europe, where it has been gradually lower-ing employment through attrition

and early retirement. But Doug Hanson, who heads the region, points out that forced redundancies involve particularly heavy severance costs in Europe and drastic cuts in the workforce are simply not 3M's style. "We always want to do right by

the people that leave, because if you don't, the rest of your people are going to be concerned."

Whatever the restructuring record, there can be no doubting 3M's resolve to keep new ideas coming. For many years it had a target emulated by several other large US companies - that at least 25 per cent of its annual sales must come from products which had been on the market for less than five years. But two years ago, in the light of increasing competition, it decided to

raise the bar. Now 30 per cent of sales should come from products less than four years old. Over 25 per cent did in 1993, and this year 3M hopes to achieve the new target fully for the first time. This impressive record is due to several factors. Arguably the most important is McKnight's cultural

legacy. His 15 per cent rula remains an important company creed (though far from all tha group's 8,500 technical staff spend so much time on their own projects). One of the group's most cele-

brated inventions in the 1980s - the But as they go round the group Post it Notes which people stick to

computer screens - was dreamed up by researcher Art Fry in 15-percent tima, though he was initially trying to create e hymn book

Coyne recalls that when he first joined 3M as a junior researcher, "I became convinced in less than a day that this was a company which expected me to make a difference as an individual."

But the culture also encourage the cross-fertilisation of ideas between 3M's more than 40 business units, Much of this is done through informal networking, for example through an employee-run technical

'If we have any arrogance we work hard at not retaining that trait'

forum, which runs a series of lectures by inside and outside speak-

Technicians are also encouraged to get out and meet customers, on the grounds that the best ideas such as Drew's masking tape come not from sitting in a labora-tory but from identifying unarticulated customer needs.

Cross fartilisation is also reinforced by official bodies, such as 3M's little-publicised audit teams. Their primary function is to assess the commercial potential of laboratories' new product programmes. they often come across developments in one lab which can be helpful to another. There is also a complex system of

awards for new ideas, though the company generally eschews financial bonuses for inventions, on the grounds that getting them to market involves extremely complex corporate team-work.

The culture is also underpinned by 3M's low turnover among research staff and the company's insistence on growing top management from within the company.

3M's R&D effort is hardly

flawless. Coyne is concerned about productivity, noting that R&D spending is 7.3 per cent of group sales, compared with a target of 6.5 per cent, Other senior officials express concern that inventiveness could be stifled as the group gets

But this willingness to engage in self-criticism, and benchmark against other companies, may be an important reason why 3M is still expanding bealthily, unlike some other corporate superstars of the

DeSimone also attributes its lack of complacency to the immense diversity of its product portfolio, which means it has to compete across an unusually broad front against top-notch rivals, such as the Japanese in memory media, John-son & Johnson in healthcare and Eastman Kodak in film.

"If we have any arrogance we work hard at not retaining that trait," he says. "It's always been a killer in the long run - but it's a



DESERT ISLAND MANAGER Richard

Branson

After losing the competition last week to run the UK's national lottery and failing to persuade the Radio Authority to create a new FM national frequency for his pop station, Richard Branson probably needs a spell on a desert island. He is no stranger to desert island living. Necker in the Virgin Islands was uninhabitable when he bought it 12 years ago. Now It is one of the st exclusive retreats in the

What would you need, apart from fax and telephone, to carry ou your business? Thoughts of essentials for my occasional weeks of blisaful isolation on Necker would be pretty similar to those I would want as a mythical desert island manager. I would plead for a global satellite TV system with Sky, CNN and the BBC World Service. Armed with all thet and a stock of trusty black A4 notebooks, I think I could keep the business under

How would you keep your

"Given that the public relations machine at British Airways wrote me off in the sanity department at least four years ago, I have long since lost interest in worrying about the question. As one diversion, I would probably use my spare notebooks to start a journal and diary of our lives. As another exercise, I would enforce some sort of physical routine, such as building a tennis court. It is my favourite sport."

You can choose one sort of food and one sort of drink, what and

"Assuming we have water on the island and that fruit is growing, the two unmissable essentials would be baked beans and good beer - although it would be a toss up between beer and champagne,"

And one film? "It would have to be Borsalina, starring Alain Delon and Jean Paul Belmoudo, it fits the bill. It brings back memories of my teenage years and was a favourite of both myself and my first partner in business, Nik

Which person would choose to accompany you? "I could not consider life without

the family so I have to assume they are coming. My one other person would be Karl Marx, Wa both have beards and moustaches in common and discussions on the merits of capitalism versus communism would take on a new significance if we both had to work to

Which book would you take? It would be James Clavell's Tai Pan. I am told it is an interesting novel and I started it just after Virgin's Hong Kong inaugural flight but have not had a chance to read it since.

Branson insisted on one final condition for desert island living.

"I would immediately establish a national lottery on our island. It would be fun, help Karl to understand a hit more about capitalism and, of course, there would not have to be a competitive tender to win it."

prelude to a fall

whose earnings rise and fall with the economy of the US - and

the season has become an institu-tionalised perk for senior directors?

When you ask most companies

LUCY

about their entertaining they will not talk numbers; in fact they will barely talk at all. Off the record they will mouth platitudes ebout building relationships, and point out that the money from some of these events goes to charity. Not all companies are so coy. Michael Prideaux, of BAT Industries, provides the most sensible solution to the puzzle. He says cor-porate entertaining works subtly et the margin. There is nothing you can do to persuade an institutional investor to go on holding your shares. But if you have just treated them to a nice day out, they may be

more willing to hear your side of the story before flogging them.
I expect he is right. The system Perhaps I should think twice before saying anything untoward about BP.

When e woman in a position of power starts making unpopular decisions the chances are that someone



No such thing as a free opera ticket

will unfairly accuse her of sleeping her way to the top. Such was the sad fate that last week befell the intelligent and likeable Clare Spottiswoode, director general of Ofgas. The less said about that incident - or non incident - the better. Yet 1 wonder if the sordid story might contain a warning to the business world. The tabloid press is endlessly fascinated by who is sleeping with whom, and being fed up with the which, and being test up with the saffairs of MPs it may be shifting its attention towards commerce. Spottiswoode — who spans the two worlds — could be a first step.

If businessmen in the past have escaped attention it is not because

they are considered out of bounds witness Ralph Halpern and his bimbo - but because they are not well enough known. Now that many of our captains of industry are becoming increasingly famous (as well as increasingly rich) all the ingredients for a nice tabloid sex scandal are there. I put it to the editor of the Sun, who said he couldn't possibly comment. Perhaps that means he'd love to break a few such stories, but is having a bit of trouble coming up with any.

While the private lives of executives is a subject for the prurient only. the same can not be said about their pay. The bad publicity any est rise is doing more to moderate

pay rises than any number of (dubiously independent) committees. Yet not all those who receive e

public flogging deserva it. Take last week's revelation that Alan Jackson, chief executive of BTR, has a guaranteed floor under his basic salary. I can't see anything wrong with that - most of us assume our base pay will not fall. Of course, es' total pay should go up and down with performance: but the basic salary should be small and fixed and the bonus generous when the company is doing well; non existent when it is not.

Likewise, I can't get too excited about the revelation et Lasmo's AGM last week that its part-time ex-chairman and deputy chairman were entitled to a pro-rata payment of £700 a day if they worked more than a certain number of days a year. As a part-time worker, I think It is fair to be paid extra for extra work. I am less sure about whether those gentlemen deserved such high salaries to start with.

There is something deeply revealing

especially those who are used to winning. Lord Young, chairman of Cabla and Wireless, and Richard Branson of Virgin avidently thought that they were on to a winner late last year when they smilingly posed with the racehorse Desert Orchid to launch their bid for the national lottery.

Now that they have lost we are

about the way in which people lose

seeing another side of their personalities. Branson is taking it like a spoilt child, having his picture taken sulking on the steps of his Holland Park home, and ripping up the fax that bore the news. Lord Young, in line with his smooth image, has delicately withdrawn into the background as if nothing had happened.

Full marks, then, to their lobby-ist, Des Wilson. According to the inveterate campaigner, who treats every day as a personal victory, the Branson-Young bid should not be seen as a failure at all. Their intervention resulted in other contenders promising to pay more money to charity. And that was the whole

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EATING OUT

best Chinese

Where to find the

meals in London

manned ships from the Far East.

Hence, the first eating houses of this type were along the Thames.

Today only Chinatown (987 2330)

Tai Pan (791 0118), Old Friends (790

5027) and Young Friends (987 4276)

remain in the Limehouse area of

restaurants have spread throughout

London. Among the more expensive are the Oriental in the Dorchester

the Royal Exchange, EC3 (626 3437).

Hotel, W1 (629 8888), which has

a Michelin star, Imperial City in

where Ken Hom the well known

consultant, Poons in the City, EC3

(626 0126) and the Inn of Happiness

St. James's Court Hotel, SW1 (821

These are Chinese restaurants

at which you can certainly impress

business guests. The service has

none of the abruptness that can

restaurants but the bill can be the

equivalent of that in a top French

per head - particularly if you are

shark's fin or a whole Peking duck

- or leave the choice of the menu

to the manager. (If you do this,

always specify a maximum price

The highest concentration of

Chinese restaurants is now in

London's Chinatown, an area of the West End delineated by

Shaftesbury Avenue to the north

lured into ordering one or more

of their specialities - abalone,

or Italian restaurant - £30 to £50

characterise cheaper Chinese

American/Chinese chef is

1931).

per head.)

London's East End.

In the interim, Chinese

London's Chinese restaurants

originated to feed sailors who

The Chamber

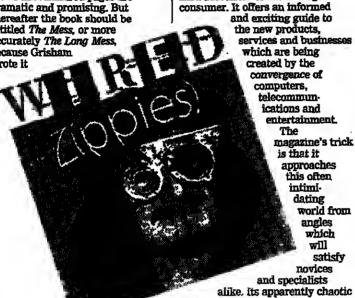
12

John Grisham, the lawyer turned blockbuster thriller writer, made his name and his millions writing books with titles like The Firm and The Client.

Now we have The Chamber. which at first sight should be called The Formula, because it starts by conforming to the a well established Grisham pattern.

It takes us swiftly into the main event, in this case a Ku Klux Klan bombing in the 1960s which kills a Jewish lawyer and his two young sons. Twenty years later, the man sentenced to death for the crime faces the gas chamber. A young, talented but independent lawyer from an underprivileged background, working for big time law firm, volunteers for the apparently hopeless case. The twist: the old racist prisoner is his long lost grandfather.

The first hundred pages are dramatic and promising. But thereafter the book should be retitled The Mess or more accurately The Long Mess



in long hand and its runs to almost 500 pages. It hints that it might become a detective story of the young lawyer's hunt for the mystery second bomber, who masterminded the attack but got

away. That storyline peters out. The Chamber is a sustained attack on the mechanics and politics of the death penalty. It claims to be a thriller, as the hero desperately attempts to save his grandfather while the clock ticks away. Yet the story is peculiarly in drama. It is largely a mechanistic account of ludicrous petitions being faxed backward and forward between courts.

The book is mainly a portrait of the white, working class south, through a family which is inevitably and hopelessly wrecked by its history of racism. This portrait is at times compelling. But Grisham is far better at explaining events than exploring characters. So the moving story of the grandfather and the lawyer learning to love and depend upon one another on death row gets hopelessly confused with the thriller and detective sides of the story. For those who were gripped by The Firm and The Pelican Brief. this latest Grisham book may well

The Chamber, By John Grisham. Century, £15.99 pp486

o Brian Lara failed, last Fri-

and thus equal the achieve-ment of Don Bradman, C.B. Fry and

Mike Proctor. Perhaps this was just

as well. Otherwise crowds might

have started expecting him to give

them a multiple hundred every time

he played, and to break a record a

week - not that record breaking is

Any one of us could have our

wicket smashed first ball as we fail

to scrabble a single and be told, by some Wisden-crazed old buffer in

the commentary hox, that ours was

the fastest run-out at Edgbaston

since Bunny Legge-Braike was

A batsman can play a bad stroke

at any time and, for Lara, it was

perhaps better played sooner than

His development as a cricketer -

for clearly he believes he will

improve - should be a natural pro-

cess, not forced upon him by the

difficult in cricket.

day at Lords, to score his

sixth consecutive century

go down as The Disappointment.

Wired up

It can lay reasonable claim to being the trendiest magazine in the world. What New Musical Express and Rolling Stone were to the rise of popular music, a new US magazine called Wired aims to be for the emerging world of multimedia. In the 1960s Rolling Stone and NME were essential for young rock fans who each week bought LPs to play on the mono record players in their bedrooms. Wired aims to be the essential accessory for a generation brought up with the personal computer, electronic games and e-mail.

Launched in January last year, with 12 full-time staff and only \$250,000 of capital, Wired's circulation has risen from 150,000 to 230,000 copies a month, mainly

in the US. Its success rests on making the cyberspace world of the computer nerd accessible to the average

design borrows heavily from style

writer's name, but also their e-mail address on the Internet networking

system. Yet its not afraid of being

It carries meaty articles which

included long pieces about the US

Microsoft and the battle between MCI and AT&T in long distance

telecommunications, for instance.

Jane Metcalfe, the magazine's

32-year-old president and co-founder

plains: "We wanted to make a

magazine for really modern people

living in a digital, electronic world.

All these technologies can allow

people to take power themselves." She and her co-founder, Louis

Rossetto, spent their savings and

project around US publishers before

they got their launch finance. Now

they employ 52 people and sell in

26 countries. Wired is also about to go international in a big way,

with a recent deal to start a

UK and continental Europe.

CoMag Tel: 0895 444055.

By Charles Leadbeater

Japanese language edition and

rapid expansion planned in the

In the UK. Wired is distributed bu

almost two years hawking the

government anti-trust case against

would grace a staid business

magazine. Recent issues have

mainstream.

magazines such as The Face. It

has its very own grammar; each article ends not just with the

and exciting guide to the new products. services and busin which are being created by the convergence of computers. telecommum-

angles which

will

satisfy

recent survey found the system used by employers as diverse

The reasons for this are fairly simple: it is relatively cheap, compared with conventional the need for employees to take

workplace. Employees seem to like it too as it can offer courses that are "tailor-made" to their needs. Users ranging from those requiring basic skills, such as bar staff, to those wanting to learn complex tasks,

Telecommunications explaining system to every manager in the

BT says: "Normally this would have meant a day off work to attend a training session, at a cost of at least £150 a head. By presenting the information on a videodisc, which managers could view quickly, locally and at a convenient ne, we reduced the cost of the



JOBS

School's out at Allied-Lyons

How do you train a group of busy part-time workers, of varying ages, literacy and backgrounds? One way is to let them teach themselves with the help of a computer.

Allied-Lyons Retailing, part of the UK food and drink group, says it is the first brewer to introduce on-line, interactive, computer-based training as a tool to improve service in its pubs, which employ a high percentage of part-time staff.

More than 20 outlets in London already have the open - or distance - learning system, and it is intended that by the end of the year it will be available in all Allied's 2,000 retail outlets.
"It is difficult to get part-time

workers together to train," says Mr Richard Lowe, the group's head of retail marketing. "So we have designed a computer-based system into which staff can dip." Individuals signing on to the interactive system are informed about their group and then offered a number of quizzes over how the best service is provided. A second package, looking in more detail at health and safety issues, is to

be introduced soon. Open learning has been used for some years but is now being applied to more diverse needs. A as Rover and Rank Xerox - to be one of the fastest growing forms of training delivery in the UK.

training, it is flexible; and it can provide effective training without regular time away from their

such as British

the introduction of a new technical country.

exercise to £15 per manager."

By Lisa Wood



HEALTH

of Marie

its borders along Wardour Street and Charing Cross Road.

The main thoroughfare is the

pedestrianised Gerrard Street which

boasts a host of Chinese food shops

(including Chinese sweet shops), as well as several good restaurants,

particularly Harbour City (439 7120),

London Chinatown (437 3186) and

The many Chinese restaurants

categories. First, those which offer

menu. The most interesting of these

in the area fall into three loose

an extensive lunch and dinner

Shafteshury Avenue (734 9207).

restaurants which at lunchtime

dish is low. The New World in Gerrard Place (734 0396), Cheun

1398), China Court in the Swiss

in Newport Place (287 2702) are

for the adventurous but single

diner. Try the tiny branch of Lee

or pork and rice that, with a pot

of Chinese tea, will leave change from £5. Or pay £6 at Poons, in Leicester Street (487 1528), for a

large earthenware bowl of steamed

black bean sauce. This was so warm

and filling it seemed to dry my very

rice cooked with eel steaks and

By Nicholas Lander

for a large bowl of duck and noodles

Ho Fook, in Macclesfield Street;

among the most popular.

Finally, almost all these restaurants offer a "one dish" meal

Cheng Ku in Wardour Street (437

to be noisy but good value,

Lee Ho Fook (439 1829).

How to do battle with jet lag

Not for nothing are overnight flights known as "red-eyes". But reducing the negative side-effects of long distance flying is possible One of the most important things a traveller can do, says Dr Gill Lea, of travel company Trailfinders, is to sleep as much as possible on the journey.

Trying to pre-empt jet lag by setting watches to a new time zone in advance, changing diets or undergoing high-tech light treatments to change the body's circadian rhythm are really not

very helpful, she says.

Dr Lea believes a disrupted personal body clock is an inevitable consequence of moving through time zones. Sleeping at the other end is still the best remedy for jet lag and general travel weariness. As far as time permits, business

travellers should adapt their chedules and book a flight which arrives as close as possible to the flier's bedtime. Generally, the body needs 24 hours to adjust to a new time zone, and important busines decisions should be postponed as

long as possible after arrival. Other effects of long-haul flying can be dealt with on the plane. In the air, the body tends to dehydrate and drinking plenty of liquids is crucial during a flight. While free cocktails in first class are very tempting, these have a dehydrating effect and travellers should alternate alcohol with water or soft drinks.

Sitting for five to fifteen hours even in a roomy business class seat - can cause the body to stiffen and the increased pressure of the flight cabin tends to swell the ankles. Travellers should get up and walk around, and remove shoes with caution. Remember you need to be able to get them back on at the end of the flight.

If walking around the cahin every 20 minutes seems excessive, Dr Lea recommends that passenger lift their knees off the seat and wiggle their feet up and down at the ankles. Lifting the thighs off the seat allows blood to flow back up from the ankles and can reduce swelling.

are: Fung Shing (437 1539), Mr Kong (437 7341) and Poons (437 4549) of Lisle Street; Ming in Greek Street (734 2721) and the Mayflower on As part of their campaigns to woo business customers, several airlines have launched programm and products to relieve passengers Then there are those cavernous of the physical inconveniences of serve Chinese dim sum. These tend travel. Japan Air Lines produces a special drink which it calls "Sky Time" - a combination of kiwi juice and royal jelly - which promises particularly for entertaining large groups, as the average price of each to help passengers "enjoy their flights in a more relaxed mood and arrive at their destinations full of charge". JAL also offers a honeycomb mask for passengers Centre (424 0108) and Tai Wing Wah. to wear on their noses and mouths, in order to retain moisture in the

nasal passage.

To keep travellers from stiffening up on the flight, JAL shows on the movie screens exercises that can be performed in the seats. British Airways' Well-being in

the Air package includes light meals, suggestions for exercises "comfort kits", containing moisturisers and eye-compresse and an audio programme to create a "sense of inner calm".

By Motoko Rich

BUZZ WORDS

Watchdog

Cave canent; beware of the dog. Wetchdogs are roaming all around us. Last week Clare Spottiswoode, the British gas industry watchdog, got in a spot of trouble with MPs over an outspoken attack upon her predecessor. Another House of Commons committee called for the sacking of Joe Patmer, chairman of the Personal Investment Authority, "the planned watchdog to protect private investors" (Financial Times). The watchdog peak is growing

the whole time, with everything from Oflot, for lotteries, and a railway regulator, to the Independent Television Commission, which beared its teeth last week, and the Securities and Investment Board for financial

services. The original watchdog was Cerberus, the three-headed dog which kept the shades in Hades. Now watchdogs are people who keep watch over sectors of industry.

finance or government.

The word developed from the Oxford English Dictionary first usage in Shakespeare's play The Tempest ("the watch-Dogges barke, bawgh-wawgh"), through its first modern usage in 1845 in Encyclopedia Metropolitana ("now we feel the necessity for a set of guardian or watchdogs of the state) to a fixed meaning in 1910: "the Chancellor acted as

watch-dog in front of the Treasury." Americans dropped the hyphen to stop the tail wagging the rest of

the word although it was new enough to continue to to wear inverted commas into the 1950s. British watchdogs bave specific Iny

tasks, such as Ofgas and Ofwat for utilities, the Securities and Investment Board for financial services and National Audit Office for the public sector. Some are bred from government stock, others are mongrels from consumers and

sectors of industry.
Strangely, the less dogginess the more watchfulness. The problem with the word centres on who is being guarded from what; this is rarely clear, since a watchdog both prevents intruders and escapees. Some so-called watchdogs are thought to have failed to protect the public. So not all watchdogs are necessarily impartial, or independent, according to the Economist (April 30): "The Mollen commission's key point is likely to be the establishment of an independent watchdog to monitor New York's police department." Away from the familiar language of barking and hiting, a watchdog can "come under fire" (Telegraph,

April 30) or find itself "launched to stamp out abuses" (Daily Mail, April 22). The watchdog metaphor only has a limited linguistic life: loyal dogs are not put down, but "de-recognised". "Lautro is due to be de-recognised as a regulator some time after the PIA is to become operational in July this year" (Financial Times, April 28).

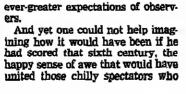
By Andrew St. George

and Lisle Street to the south, with

SPORT: LAURA THOMPSON

Brian Lara: the dream machine stumped by the Nawab of Pataudi in 1898.

And yet one could not help imaghad scored that sixth century, the happy sense of awe that would have



were scattered around Lords, waiting to be entranced. People "want" Lara to do incredible things. His "sudden" emergence has had a miraculous aspect: the best batsman of his generation appeared as if from nowhere, his name scarcely known, his past untrammelled by years of grind, his future free to be glamorous and great.

To the English, whose own cricketers seem so shambolic, so wildly unpredictable - if only they'd be had all the time, one sometimes finds oneself thinking, instead of merely 80 per cenl of it - Brian Lara represents a glorious and simple certainty

There might be an inward throh of pique, in the heart concealed behind the MCC tie, that it is not an English player who is being gloriously and simply certain. Essentially, though, Lara is the type of sportsman that transcends nationalism. It was hard to admire the Pakistant bowlers who, for all their dazzle, seemed full of spite; hut Lara smiles politely at each inept ball as he sweeps it towards the sun, and displays a demeanour as impeccable as his cricket. No superfluous aggression communicates itself. Winning seems more like the incidental reward of genius than the

simreme intention And so it is that, perhaps almost as much as West Indians, English cricket lovers see themselves in Lara. They see in him an under-

standing, as intrinsic as their own, of the game's inexplicable ethos; and they treasure this for its rarity. After all, cricket is antithetical to the late 20th century, which is impatient, restless, egotistical and attuned to the concept of immediate gratification. In cricket the willingness to wait, to plan, to endure, to take a wider view, is just as important as the ability to attack; hut today our characters are not formed

to win wars of attrition, merely to

zap the enemy as hard and fast as possible. Hence the emergence of

the one-day game, which has infused cricket with a vehemence that should only he part of the larger scheme. But Brian Lara is above, or beyond, all this hysterical modernity: for all his youth and cool, his conduct is of an age when batsman walked and bowlers did not try to knock your head off. His genius is such that it walks hand in hand with grace. He is, it would seem.

that rare phenomenon: a sportsman

who is totally at ease with his own With most of them, even the very greatest, one infers the strains, the sacrifices, the knowledge of the gap that has to be overcome between what nature has given their bodies and what they want their bodies to do. These inferences are a large part of what makes sport fascinating to watch: in them one can read a human drama. Yet occasionally, very occasionally, there will be a sportsman with what is almost the unconscious facility of a racehorse. Jesse Owens was probably such a one; perhaps Pele; Don Bradman.

certainly. This, though, is what Jack Hobbs another great cricketer, but not in the racehorse class - said about Bradman: "The Don was too good. He spoilt the game because he got hundreds every time he played...l don't think we want to see another one like him.'

Is there then, perhaps, a perfection that annihilates, that almost frightens because it seems to leave no room for anything more? This is what one sometimes feels watching Pete Sampras, another racehorse sportsman. Yet at other times, one exults in the knowledge that the

game could be played no better. The perfect sportsman negates the competitive element which is essential to sport, perhaps he also negates the human element. Yet he is a magical figure in the ima tions of those that watch him. Brian Lara is not and perhaps never will be, the "run-getting machine" that Hobbs called Bradman. But people have seen in him the image of the perfect sportsman; and, taken unawares by his smiling genius, by the irruption into the lives of a Boy's Own hero, the most jaded of observers has begun again to

Main events



WEDNESDAY: For four days
Epsorn Downs,
just outside
London, will be covered in

Fortnum and Mason hampen marquees, a fun-fair and gipsy caravans. The Epsom meeting opens with Derby day and finishes on Saturday, when the Oaks race for filles will be run.



THURSDAY: England take on New Zealand in the first cricket Test at Trent Bridge. After his

ordeal against the West Indian fast howers over the winter. Mike Atherton will start his first full home series as England captain more worried about bouncers from the selection committee rather than on the pitch. New Zealand, for all their youthful promise, are one of the reaker cricket nations.



France did the same last year

and then won the Test series.

side faces South Africa in Pretoria. England lost their first two provincial matches and barely won the third. But

Linen without all the tears

STYLE

Whether the British like it or not, linen just won't go away where fashion is concerned. It's a fabric more often accepted for the bed or table. Its tendency to crease horribly frustrates those who wear it. Yet this summer there is more of it than ever.

There are linen garments of every sort and all prices in the shops this summer. Classic good buys are Racing Green's shirt, in a wide choice of colours and easy to wash and iron, or its £99 linen jacket (by mail order or from the Racing Green shop in Regent's Street). Marks and Spencer do a reasonably tailored linen suit for £100. The three-button double-breasted style, with matching trousers, is similar in look to the top-of-the-range Giorgio Armani version, in cream brown or navy which is a lifetime investment for £1,300. On the continent and in the US. where summers are botter and longer, linen is seen as a godsend cool, comfortable, natural and

cologically sound. in Italy, where men in pale summer suits have lunch a casa, it only takes a little persuasion and Mama or the maid will re-press their Armani linen for the afternoon, a service that's almost inconceivable in Britain.

A label in John Rocha's crisp, pale beige, three-quarter length oure Irish linen coat, announcing that the look of the fabric might change after dry-cleaning, is a daunting prospect. But, says David Tothill of London's speciality dry-cleaners, there is nothing to

fear if the job is done professionally. "Beware of thinking you can look after linen at home," he adds, "since it's the reshaping and pressing of the garment after washing (this takes three or four times longer than most fabrics) which completes the process.

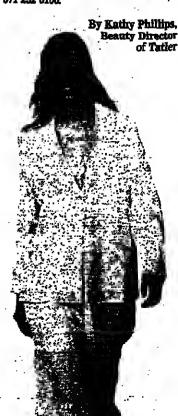
"English women don't understand linen like continental women do. It is a luxury fibre, expensive and difficult to care for. It can come alive if it's professionally looked after but wash it yourself and you

could end up with a shiny finish which is hard to reverse. Tothill has another warning.

Linen will eventually end up with permanent creasing in areas that always crease with regular wear, and no amount of cleaning or pressing can alter it. For converts, however, there is nothing like it. Those who appreciate the natural qualities of linen, can ignore the down side "There isn't a more natural fabric." says Rocha, UK Designer of the Year. "As the years go by the fabric

It's perfect for aummer." John Rocha's collection at Liberty. Harvey Nichols, London. Barneys, New York. David Tothill's new premises in Harriet Street, 071 245 0205. Collection and delivery service 071 252 0100.

gets more mature and both the look and feel get better and better.



Andrew Hill assesses the chances of a new venture between Stet and Bell Atlantic of the US

ducting a passionate love affair with the television and telephone, any venture which tries to put the two together should have a fair

Section in the section

Watchdog

1.00

e battle

That at least seems to be the view of Stet, Italy's state-controlled telecommunications utility, and Bell Atlantic, the US telecoms group, which last month agreed to develop an interactive multimedia television service for the Italian

By early 1996, the two companies hope to be able to offer Italian consumers feature films, on demand, via the telephone network operated by Stet's subsidiary Sip. In dne course, the companies will add video shopping, banking, do-it-yourself, and even emergency first aid, not to mention exploiting commercial applications such as video conferences and training

"Italy will probably be the first into the [European] mar-ket with this capability," says Edgar Brown, president and chief executive of Bell Atlantic International

Certainly, Italy looks like a prime target for multimedia services. Not only are late 20th century Italians, like their ancestors, hooked on commutake to gadgets very quickly.

"Within Europe it's probably one of the better markets and one of the more receptive to new ideas and new services," says Evan Miller, European telecoms analyst at Lehman Brothers in London.

The classic success story in Italy has been the mobile telephone, or "telefonino" in the Italian diminutive. Whereas in many other European countries, ordinary people would hesitate to produce a mobile telephone in public for fear of being either mugged or sneered at, the Italians posi-tively flaunt their "telefonint". and use them not just as tools but as toys. In big cities, it is quite common to see groups in piazza cafés passing round the cellular phone to talk to friends cut of town.

Linked to this casual technological ease is a sophisticated television culture, which in some parts of the country feeds viewers as many as 20 national and local channels. One important point for advocates of multimedia is that the diet already includes several cheap, but unavoidable, home shopping channels, peopled by enthusi-astic presenters with bizarre sales pitches ("Buy a Persian carpet, win a scooter!").

For Stet, which is likely to be privatised later this year, and towards realising this potential

is technical. Sip will work with the US group to adapt its traditional copper-wire telephone network to the transmission of video signals, investing an estimated L4,000bn (\$2.5hn).

if Italy eventually wants a fully-fledged multimedia service, certain analysts believe substantially more will need to be invested, but Sip's modest first ambition is for technical tests to take place by the end of this year, and commercial trials - on a group of 2,000 users - during 1995.

It is the strange and volatile Italian market, however, which offers the biggest challenge - and carries the biggest risk for the two companies, which will develop and market the services through Stream, a Stet subsidiary in which Bell Atlantic will take a 49 per cent

s Miro Allione, Stream's managing director, put it after last month's launch: "The technology, although it's demanding and sophisticated, is really the smaller problem. The real unknowns are in the marketing, which is linked to demand and to the capability of operators wanting to back the new

To belp conquer the unknown, Stream - which is likely to seek an initial capital

injection of L100bn by the end of next month - is already talking to potential partners who could provide "information and programming ahead of the 1996 commercial launch.

According to Bell Atlantic's Edgar Brown, the two main shareholders are prepared to accept dilution of their own stakes in Stream, but will retain joint control. Stream's first challenge will

be to lure subscribers into the

system with movie services.

"trigger" for the rest of the sys-Although simple to understand, movies may also prove the most difficult of the proposed services to get right in Italy. Broadly speaking, con-sumers will be able to choose what to watch from a library of films or programmes, divided into categories and targeted at particular andiences. More

The question is whether this will be tempting enough to defeat rival attractions in the sector. Not only is big-screen cinema already quite a draw for urban Italians, anyone in the country can also watch 8,000 films a year, for free, on the state-owned Rai television channels and their private

importantly, they will also be able to choose exactly when to

As a measure of the difficulties facing Stream, Telepiù, which launched pay TV movie and sports channels three years ago, has yet to make money and has attracted 600,000 subscribers, whereas Stet and Bell Atlantic hope for well over a million users.

At the same time, Rai and Fininvest (the media empire built by Silvio Berlusconi, the new Italian prime minister) have amassed substantial film archives and rights, which Stream would be hard-pressed to match unless it could link up with one of the existing conventional channels.

S tream could argue that a new medium requires new rules, and pay royalties on the basis of the number of viewers selecting individual films. If that tactic fails, however, and Stream's film catalogue is not sufficiently broad by the time it launches, filmlovers could easily switch back to the conventional channels. The second service to be introduced is likely to be video

shouping, and here the US-Italian joint venture is on surer ground. Already, home shop-ping via television is said to be worth between L600hn and L800bn a year in Italy, and interactive television would allow customers to complete the whole transaction, from

order to payment on screen. Industry sources, however, are still convinced that both consumers and companies will have to be eased into the new technology. "I'm not sure that the Italians are prepared to move suddenly to a new [buying] system, instead of touching products or smelling per-

fumes," says one. Evan Miller of Lehman Brothers points out that Europe has been generally more cautious than the US in moving towards multimedia services. Analysis are in gen-eral sceptical about the possibility of a full-scale national system being in place within the next few years, but they believe there is a chance of a limited service in the most

important cities.

The limited previous experience of Stet and Sip in a similar field means they are likely to be cautious about pushing their customers too hard to accept new technology. Over the last few years, Sip has watched its ambitious Videotel venture - an interactive telephone system similar to France's Minitel - quietly wither away. Stet's judgmen is that Videotel was too complicated and the range of services too narrow. That is likely to be the first lesson that Stream learns in setting up a multime-



Bill Cockburn: post has vital role as valet to the new networks

When Postman Pat goes electronic

Even a year ago, an interview with a postal service chief executive on the subject of "media futures" might have seemed laughable. However, Bill Cockburn, chief executive of the UK's Royal Mail, bolds forth about the role of his business in the interactive age with all the verve, and much of the plausibility, of today's telecommunications barons Cockburn concedes that "no

letter is safe in the age of the technological postman." But tomorrow's entrepreneurial post office will, he argues, be offering both the postmen and the technology. His vision combines the

potential of the existing postal service to thrive on the back of technological innovation in other sectors, plus the ability of the postal service to innovate on its own account.

Cockburn is sceptical about the pace of the supposed interactive revolution. In the short and medium term, with interactive systems and cultural adaptation in their infancy, home shopping and the like could significantly boost the conventional mail business - through catalogues. extra billing, and so on.

But even when full interactivity dawns, Cockburn sees a vital role for post as valet to the new networks. Home shopping, for instance, is potentially a huge source of new business for those with an efficient home-to-home delivery capacity. "We need to be positioned to take that

Bill Cockburn talks to Andrew Adonis about the Royal Mail's future

He sees a similar evolutionary process in ntility billing mail. Ultimately, all accounts may be settled on the screen. Before that, however

Cockburn sees a lucrative market in the outsourcing of billing to single operators capable of printing and delivering bills and handling the payments - whether cash paper or electronic. "Who better than us to do it - we already have the delivery and much of the payments capacity, and are fast

developing electronic mail. Part of Royal Mail's case for privatisation is the need to break free of government investment restrictions to develop new technology. Cockburn also wants the freedom to contract joint ventures, at home and abroad, to pool his assets with those of new technological operators

"We have a lot to offer a partner." says Cockburn, who proceeds to rattle off the plums on his balance sheet. "We have our own telecoms network, the fourth largest in the country, 16 trains, 70 chartered air services a day, 30,000 vehicles, the biggest residential database in the UK, and 2,000 buildings. Think of the opportunities that gives you." Not to mention an army of Postman Pats.

Any which way you want to read it

Anthony Ridder, president of Knight-Ridder, publishers of newspaper such as the Philadelphia Inquirer and the Miami Herald, is as certain as anyone can be that the future of the newspaper

"We have spent a great deal of time studying the issue over the last four years. We think the traditional printed newspaper, improved and with new services for advertisers, is going to be a good solid business for as far out as we can see."

But at the same time Knight-Ridder. which last year had Newspaper revenues of \$2bn out of a group total of \$2.45bn, is placing a range of each way bets on technologies that could affect the future of the traditional newspapers.

These projects, backed by spending of around \$10m a year, cover a wider-range of areas than those being persuade by most other newspaper groups. They range from on-line fax and audio text services, through plans for expansion in conventional television news, to the more futuristic portable flat panels that can sections and bring the pictures to life

with video news clips. At the Mercury Center, in San Jose, electronic access to Knight-Ridder's San Jose Mercury News is available for \$9.95 a month. Described as 'more of a library service" it is carried on the America Online data base, which has 34,000 subscribers in the Mercury's circulation area. Knight-Ridder has 6.500 direct subscribers, but every time anyone else accesses Mercury News information the company gets a fee. The service includes an electronic version of the Mercury News classified advertisements - an important vehicle for staff poaching in Silicon Valley. The Mercury Centre also runs fax and audio services. A subscriber to the audio service can specify a list of interests, such as company results, give a PIN number and receive what are

personalised broadcasts by car phone. In Philadelphia the Inquirer is going to launch its own television News Hour with a local station of dedicated television sionals but calling on the 610 Knight-Ridder newsroom staff in the area. If it is a success the aim is to turn out a 24-hour news channel for the 5m people in the area. This is a service which, like the Mercury Center, could be replicated in other cities where the company has a major daily newspapers.

Our feeling is that we need to be involved in the video business," says Ridder, "partly to generate moving pictures for the flat panel being developed

Anthony Ridder believes there's still a future for traditional newspapers. But just in case he's hedging his bets, writes Raymond Snoddy

at the Knight-Ridder Information Design Laboratory in Boulder, Colorado." Ridder believes that on-line data bases

are fine, but that people like headlines. and prefer journalists to make judgments on the relative importance of stories, . . rather than simply offering relatively undifferentiated lists of information.

By the end of this year an electronic version of Knight-Ridder's Journal of Commerce, a daily specialising in transport and trade issues, will be available to Personal Computers in a newspaper

Ridder believes the portable flat panel five years away.

He reckons that when the flat panel is fully developed he will be able to plug it into a hotel telephone socket overnig and take delivery of the full electronic text of his daily reading - the Miami Herald, the New York Times and the Wall Street Journal Customers will be able to click on an electronic pen and pull up any story they are interested in. They will be able to displayed this at whatever size they want, and if they are interested in a soccer game they will will be able

to click on a sports picture and get a two-minute video of highlights. Roger Fidler, the Knight-Ridder executive behind the flat panel development, believes that by the year 2005 in the US such flat panels could overtake PCs as a method of obtaining Just is case he is wrong, he is pushing

ahead with more conventional newspaper developments, such as home delivery of information for advertisers to non-newspaper subscribers, producing specialist publications aimed at particular areas or demographics, and even creating consumer events such as the recent Women's Show in Philadelphia. This attracted more than 20,000 people.

As he keeps a close watch on all his ach-way bets, he emphasises that ever day in America "62 per cent of all adults read a daily newspaper - 69 per cent on Sunday - and that has not changed during



Sharper TV coverage heaves into view

By Raymond Snoddy

The television pictures transmitted from the decks of beaving yachts during the Whitbread Round the World Yacht Race may not have completely satisfied the most fastidious engineer. But they were as near broadcast quality as makes no difference.

The Yacht Video System meant that for the first time broadcasters could receive news clips of life on board the competing boats, even when they were far out at sea. Last week Craig Woolf and David Tilson, the two engineers who put the

operational system

together in British Telecommunications' laboratories, received a Royal **Television Society's** Technology award for their achievement. BT initially planned the

Yacht Video System as a demonstration and promotional exercise. Now it is starting to see the busine potential. The system could be used by broadcasters for transmitting pictures from a moving vehicles in remote terrain. Cruise lines are also showing interest in using the system in reverse to deliver television news bulletins by satellite to ships in the middle



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FT. Because business is never black and white

PCs to shake off dunce's image

The days of the humble television set are numbered. Within a few years, it will be supplanted in the home and office by the personal computer – albeit in modified form - which is set to become the principal vehicle for the multimedia revolution.

Who says so? Bill Gates, head of Microsoft, for one. He cts that homes will soon have at least two PCs capable

he first, shorn of its loand and boasting a large Twill live in the lounge. repairs and the service The interactive - video on mand or three dimensional

ames are typical Their there will be a device in your den joe when you want to browse his hopping or do your personal finances. You will sit less than a metre from it and it will have a keyboard

and a superior ability to display text," he says. Gates' plan is that Windows, the operating software that has been a principal key to Microsoft's position as software market leader, will control both these PCs.

The drawback to date however, has been that PCs, sharp though they are at arithmetic, are pretty much dunces where it comes to displaying video images. They are simply not designed to handle or store the sheer volume of information contained in a moving picture. Thus, video sequences in multimedia presentations are limited to a postage stamp sized area of the screen. Any attempt to enlarge the image causes a sharp loss of quality

and fidelity. Now, Videologic, of Kings Langley on the outskirts of London, claims to have an answer to the problem. It has developed a set of silicon chips capable of taking digitised video images and displaying them on a PC screen - full

motion and fully compa with Gate's Windows. And the cost of the chips should be no more than \$25 in quantity in other words, chips for a mass market.

The company's claim should be taken seriously for a number of reasons. First, because it is already the world leader in an earlier form of PC video. In 1988 it developed chips which overlaid video pictures on a PC screen, by ssing the central proce and memory. The new chips, however, mix the digits representing video, text and graphics in the computer's nory, something Videologic says, no other company has yet

accomplished. It is a cheaper solution and it makes it possible for the computer to manipulate any part or aspect of the video picture, something that was impossible with the earlier Second, because it has some

very powerful partners

including International Rusiness Machines, the world's largest computer nufacturer, British Telecom and Motorola, a leading US semiconductor manufacturer. Its agreement with IBM covers the joint design, development and marketing of multimedia products. Videologic has, wever, retained its intellectual property rights.
Third, because the company

already has a raft of blue chip customers, nicluding Microsoft the Bank of England, Deutsche Bank and the John Lewis Partnership. According to Derek Maclaren, chairman, the company has a six month lead on the competition protected by patents, knowledge and an adherence to industry

standards others have yet to emulate. The concepts are difficult to grasp, especially for a consumer product, so Videologic is selling its flagship product, "928Movie" as a way of speeding up Windows graphics with, it says, "multimedia for free



BUSINESS TRAVEL

Spanish strikes

week series of strikes in its public tem. There

Wodooday, and a su write to Wadrid and The rail strikes are in y, is due to be dit into separate

loss of 14,500 John.

Pollution in Athens The Greek government is:

car access to central Athens in an effort to reduce air poliution. The environment ministry has said it would ben all cars from a 13 sq. for area in the heart of the city between 7am and 8pm. Last Wednesday, when the temperature his 38°C (100°F). pollution is reported to have

eached hazardous levels.

Moscow crime fails Crimos against foreign soow have fallen, according to the Rust capital's police force, largely bed cause foreign te and visitors are learning to be more careful.

Victor Serventan, the head of Moscow police's special service departme said there were 464 ... registered cases of crimes against foreigners in the first four months of this year, 208 of them on the city's streets, compared with 625 incidents in the

Swiss departure tax The Swiss government has approved increases in departure taxes at the country's two biggest airports, writes isn

Rodger in Zurich. As in so many other things, the old Swiss joke - "they do it differently in every canton" applies. At the moment, departure taxes for international lights range from SFr10 (£4.60) in Lugano to SFr12 in Bern, SFr12.50 in Zurich, SFr13 in Geneva and SFr15 in Basie. From November, the tax at Geneva will rise to SFr14.50 and that at Zurich to SFr14 and by July 1 1996 both will reach SFr15.50.

Romanian passports Plomania last week started to lease what it claims are. the most high-tech. passports in Europe, with sophisticated features abut forgery.

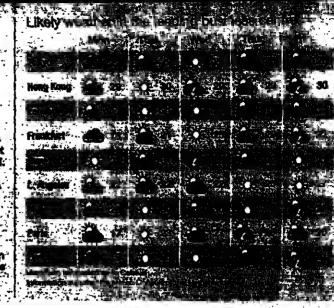
The new passports should be justed nationwide within about three months. are the very latest ogy, more it en for the M of the interior said. Passport forgery res

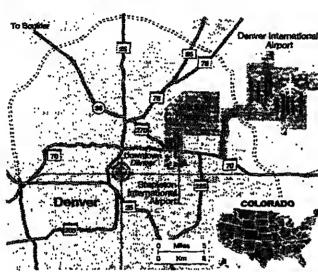
the fall of the co

Diplomatic couriers UK diplomatic countries, who have even ester dispatches to avoid them reaching enemy hands, may fait victim to cost-cutting and modern

technology.
The Queen's messaringers, who travet the world delivering secret documents in briefosses chained to their wrists, were se up 500 years ago by Ficherd III. But their numbers could be trimmed lander a Foreign Office budget review, officials said on

Thursday.
The 26 couriers, who fravel 250,000 miles (400,000 km/s a year between them, are becoming an anachronism in an age when security cleared to can do the same job in seconds.





Lost luggage leads to Denver delays

Denver's new airport, topped with white Fibreglass cones in imitation of the Rocky Mountains in the background, con-tinues to lie empty. It was due to open on May 16, but was delayed - for the fourth time by glitches in the high-technology baggage delivery system.

The new Denver International Airport, with a runway that will be able to handle 99 aircraft arrivals an hour in had weather - as many as the city's 64-year-old Stapleton airport can cope with on a clear day – is eight months behind schedule and \$1bn over

When its opening was postponed again this month, city officials decided not to set

another target, saying only that the airport would open when the computerised baggage handling system - the most sophisticated and complex of its kind - had been sufficiently tested and proved operational.

The system, which has cost \$194m, has 21 miles of tracks that snake through the airport, carrying bags in 4,000 individual containers. Bar codes on luggage labels tell the system the bags' destinations. But the system relies on human co-operation: it keeps going awry when luggage is loaded with the labels face down or otherwise obscured.

Planes, trains and tunnels

Paul Betts on UK airlines' response to the new Channel crossing

gearing itself up for increasing competition next year on short-haul European routes from high-speed rail services through the Channel tunnel.

British Airways plans to revamp its Club Europe husiness class services later this year, and is launching new services from London to Orly, which, being south of Paris, offers a competi-tive alternative to high-speed trains. British Midland also plans services to Orly from September, and to launch new routes to more distant destinations in Europe which will not compete directly with the tunnel.

But one airline has decided that, if you cannot beat high-speed trains on shorter routes, then join them. Mr Richard Branson sees the new network of high-speed train services linked to the Channel tunnel as a chance for his Virgin group to expand its travel business in Europe.

"We see high-speed trains as com-plementing our Virgin Atlantic longhaul airline operations," says Mr Branson. "We have no intention of expanding in the short-haul European airline business, but trains would give us a big foothold in the market."

Mr Branson will join forces with one of the five consortiums bidding to build the fast rail link from London to one in the next three weeks. The winuting consortium will run the UK end of the joint venture with SNCF, the Laurie Morse French railway company, operating

he UK airline industry is Eurostar trains through the tunnel. Mr Branson wants to extend his Virgin Atlantic airline formula of "comfort and fun" to the proposed rail services. He plans to introduce individual seat video screens, and equip trains with telephones and faxes.

His recent investment - to manage jointly with Shirayama Shokusan of Japan the £150m hotel development on the site of London's old County Hall building, near Waterloo station – is also linked to his Channel tunnel ambitions. "County Hall is next to the new Channel tunnel London rail terminal, and will make an ideal base for our long-distance air travellers to connect into the Eurostar rail network,"

Virgin Upper Class air passengers would be driven by limousine from Heathrow airport to spend the night at County Hall, before travelling to the continent by high-speed train the next day.

British Airways, however, believes that, while the tunnel will have short-term impact, in the longer term it will expand the overall travel market for both airlines and trains.

Sir John Egan, chief executive of BAA, the UK airports operator, also expects only a modest impact. "Most business travellers start their journeys from home to the airport. If they still find it more convenient to go straight to Gatwick or Heathrow rather than travel to the city centre to catch a Channel tunnel train.

Gateway to Palestinian contracts

The shaded, walled courtyard of the American Colony Hotel, in Arab East Jerusalem, is the starting point for foreigners who want to do business with Palestinians in the West Bank.

It provides a good base, because Palestinians do not like to cross into the Jewish side of the city. However, if yon also plan meetings on the Jewish side, be warned that many Israelis see the Colony as a hotbed of Palestinian "terrorism".

By far the best botel on the Arab side of the holy city, it serves tradi-tional Arab and international cuisine throughout the day.

From the Colony you can easily travel to the commercial centres of the West Bank - Ramallah, Nablus, Jenin and now Jericho - all of which are within an hour's drive of East Jerusalem. Jericho, which is in the process of becoming the administra-tive capital of Palestinian self-govern-

ment, will soon be an essential place for any foreign businessman to visit. Travelling in the West Bank can be dangerous. Cars with yellow Israeli licence plates are often targets of stone-throwing youths, who assume the drivers are Jewish settlers. The best way to travel is in an Arabic taxi, which has different coloured licence plates and signs in Arabic.

If you want to rent a car, go to Petra Rent a Car, in Shufat, which will deliver it to your doorstep and give you a mobile telephone if needed. Although most of its cars have yellow plates, they have big stickers on their stone-throwers. Another sensible precaution is to buy a Palestinian kefiyah - besd scarf - and drape if over your dashboard.



Main square, Jericho: the town will soon be on every business visitor's schedule

Having an Arable fixer/translator is essential, although most Palestinian businessmen speak good English. A fixer can set up meetings, negotiate around a roadblock, and give a flavour of the political and religious sensitivities that infuse discussions in the Holy Land. He can also accompany you on a tour of the Old City, where otherwise you are almost cer-tain to be fleeced by merchants in the

Most places in the West Bank accept dollars, Israeli shekels and Jordanian dinars. You can get a slightly better rate for foreign currency at money changers in East Jerusalem. Many foreigners use Nabil Freidy on

Doing business in the Gaza Strip is more difficult. After years of repression, Gaza has become a deeply con-

servative and islamicised society. Travelling with yellow licence plates almost guarantees that you will be stoned. To get into Gaza, leave your car at the Brez checkpoint and transfer to a car with white plates. There are several toxis just past the check-point, but most of the drivers do not speak English. It is better to arrange a car with a translator beforehand.

Many new hotels are being developed in Gaza, especially on the sea front where a cool breeze blows off the Mediterranean most nights. Many foreigners, however, prefer to stay at Marna House in central Gaza. Many important politicians and businessmen show up here in the evenings, and it is one of the rare places where guests can be served beer

Julian Ozanne

PEOPLE

No longer shooting for the moon

Daniel Goldin tells Guy de Jonquières how Nasa is taking several steps for America

aniel Goldin, administrator of the US National Aeronau-tics and Space Administration, enters the room rather the worse for wear. The head of the organisation which sent a man to the moon is nursing multiple fractures after an accident on his preferred mode of transport - a racing bicycle.

Yet despite refusing to take pain-killers, he is in fighting form. Within minutes, he is punching away at a favourite theme: the ills of modern society, in which a search for self-gratification has cramped horizons and sapped the urge for adventure and discovery.

"Our society demands instant results. We eat instant food. We heve instant entertainment and we demand instant financial results. When you demand instant financial results, there is no room for risk or failure. That's the fundamental problem I see today. Where is new wealth going to be generated if we don't take risks?

The key thing is not to be afraid of risk. There are so many prophets who sit in the wings waiting for someone to fail. And you know what they do? If there's a failure, they come in and say: By God, let's punish that failure'. And guess what happens - you get mediocrity in society.

That is where Nasa comes in. Its willingness to embrace risk by advancing the frontiers of technology and backing projects with a long-term economic payoff, he says, is one of the few ways in which American society can invest in its collective future.

Recently, however, this uplifting vision has encountered obstacles. Not only has enthusiasm for space missions continued to wane in the US, but two years of fiscal austerity have reduced Nasa's annual budget by 30 per cent in real terms to \$14.5bn. "We can't get any closer to the bone," Goldin says. Still, a lot of fat needed to be cut.

Since the 53-year-old Goldin was

recruited two years ago from TRW, a leading US defence and engineering

company, he has been widely praised

for shaking up the management of

Nasa's flabby bureaucracy and control-

ling costs more tightly.

He is also shifting expenditure from showplece space missions into projects promising greater commercial spin-off. That is in tune with President Clinton's drive to increase government support for industrial high-technology research and helps explain why Goldin is one of only two federal agency heads to have survived from the Bush administration. Though Nasa has generated many

valuable spin-offs - such as "error-free computer software - they have until now been largely chance by-products of its larger space programmes. In future. the agency will focus more on specific three-to-five-year research projects, often in partnership with industry. The aim is to develop generic "breakthrough" technologies, which could spawn a string of specific industrial innovations.

They include work on robotics, artificial intelligence, and environmental technology. One of the most promising is satellite remote sensing - using satel-lites to capture vast amounts of data about the earth's surface which could be used in everything from agriculture to environmental planning. "The whole remote-sensing industry is worth about \$1bn a year today. We think we could activate that to be worth perhaps \$10bn

a year," says Goldin. His biggest - and most controversial - move has been to commit substantial resources to supporting the civil aircraft industry. Such support has not been an explicit goal of federal policy since Congress vetoed research funds for a Supersonic Transport aeroplane in 1971, its planned response to Concorde.

despondent about what my country did and excited by the Europeans' boldness in taking risks on Concorde," he says. Yes, Concorde cost money, but what a feat! It defined Europe as a society. I salute the Europeans. Getting the US back in the race involved interminable, and often

heated, negotiations with industry and

government, and a grass-roots lobbying campaign which took Goldin to public

meetings around the country.

When that decision was taken, I was



The results are joint research programmes with US manufacturers into a High Speed Civil Transport (HSCT), a supersonic pessenger jet, and an Advanced Subsonic aircraft, both expected to enter service early next century. Nasa's contribution of about \$2.5bn

over five years will cover a third of the total cost. The rest will be paid for by industry, much of it in the form of services to the agency.

The research includes cleaner, less

thirsty and quieter engines, more efficlent aerodynamic designs, new materials and improved safety systems. Coldin hopes that by the end of the decade, the technologies will have been proved in the laboratory and will be ready for

industry to turn into products.

Building the HSCT will, he says, require an international consortium of manufacturers because the market is not big enough to support two rival supersonic aircraft. The issue is bow it will be controlled and led. "Will it be from Europe or America? Generally, the way the world works is that the corporation or country with the superior capability and technology can provide the leadership."

The recent scale of US efforts to ensure that it calls the shots has unsettled Europe's aircraft manufacturers, which have launched their own feasibility study into a supersonic aircraft to

They and EU trade negotiators are

also pressing, against strong US opposi-tion, for stricter international curbs on

civil aircraft subsidies in which would be included Nasa support, on the grounds that it threatens to distort

Goldin rejects the charge. He condemns European subsidies to Airbus, and insists Nasa funding of the US aircraft industry is different because it stops short of production. "This is not ugly, unfair competition. This is wonderful stuff." he growls. "I compete with everyone, including myself."

Nonetheless, the risks Nasa is taking are paid for with taxpayers' money. "So what? Look at the mediocrity in the world. Look at the state of industry ... if we don't make bold moves, where are the new jobs coming from?

You tell me." But would it not be more efficient to pool transatlantic HSCT research by, for example, inviting European manufacturers to participate in Nasa's programmes? No chance, says Goldin: " am fiercely competitive in defence of America. It's written in my genetic code." He recalls that one of the first questions he asked after moving to Nasa was who its customers were. "I sat down with our staff and we did an analysis. Clearly, our customers were

the American people, "They own this programme, but they had been separated from it for a long time because Nasa was focusing on beating the Russians. But in the new world order, after the Berlin wall came down, it was clear that we had to serve the American public."



Gilbert to spearhead Biogen's move into Europe

Biogen, one of the biggest of the US biotechnology companies which is based in Cambridge, Massachusetts, is increasing its presence in Europe and appointing Alain Gilbert (right) as its first European vice-president, writes Daniel Green.

Gilbert, 46, will be building European sales organis to promote two of the company'e drugs: Hirulog, an anti-blood clot drug, and beta interferon, in late trials for the treatment of multiple sclerosis. Gilbert, a French citizen, will be based in Paris or Brussels; tha company will decide in the next few days which of these two cities will house its

European headquarters.
Gilbert joins Biogen from Idexx Laboratories, e Portland, Maine, biotechnology company specialising in veterinary products, where he has been president of European operations since 1990. Between 1987 and 1990. he was president of operations

in Europe, Africa and the middle east for Medtronic, the US pacemaker and heart treatment device supplier. Before that, he worked for US drugs company Abbott Laboratories in sales and marketing where he became general manager of the Aids and hepatitis diagnostics

The European appointment not only marks Biogen's expansion into Europe, but also its determination to move beyond licensing out of its products to drugs companies into sales and marketing on its own behalf.

Gilbert says the structure of the company would be centralised with all main decisions taken at the headquarters. Sales and marketing people would be



recruited in other countries and he predicts that within nine months the company would employ 100-150 people in Europe

Biogen's other investment n Europe, a research centre in Bracknell, west of London in the UK, would increasingly focus its activities on the European market, he said.

de Raad to promote quality

The European Foundation for Quality Management, a non-profit association created in 1988 by 14 of and today backed by more than 320 corporate members, has a new secretary general, writes Tim

He is Geert de Raad, a Dutchman who took over the reins of the from John King at the

beginning of this month. EFQM's role is to promote the business idea known as total quality management a philosophy which puts customers and employees at the centre of a company's thinking. With the support of the European Commissio and the European Organisation for Quality, EFQM in 1992 launched an annual award which recognises the best

European exponents of TQM. De Raad, who has an MBA from Northeastern University of Boston, faces the challenge of trying to spread the TOM "gospel" to a wide and sometimes sceptical European audience. He was previously responsible for the plastics business of Royal Nijverdal-Ten Cate which included 10 companies, employed 2,900 people and boasted Ecu350m of turnover. As corporate director, he was

in charge of all acquisition

development and the group-wide implementation of TQM. He joined the executive board in 1990 and subsequently became a corporate vice-president.

Pettersson's auspicious move on paper

Pettersson looks to be timing his leap from one pillar of the Swedish pulp and paper establishment to another rather well; writes Christopher Brown-Humes, He will be leaving Stora to take over as MoDo's chief executive on August 1 with at least two favourable developments as

a background. First, MoDo's fortunes are on a clear upward trend; last week it announced its first quarterly profit for three years. Second, and perhaps more important, MoDo has recently resolved a long-running ownership battle which froze much decision-making for many months. it certainly helps that Pettersson does not come from SCA, the Swedish

forestry group which was the losing party in the struggle. Pettersson is a respected forest industry manager, if little known outside the sector. He has strong credentials for the job, having been in the pulp and paper business for 28 years - "cuite a few cycles" as he puts it. For the past shi years he has been managing director of Stora's packaging division, Billerud, which fared better than most of the company's operations in the

industry downtum. Observers expect Pettersson's style to be different from that of Bernt Löf, who steps down after nine years as MoDo's chief executive. Lot's butlish inclustry prognoses, again in evidence last week, didn't always go down too well with analysts. Pettersson is coy about his

immediate priorities. But high on his agenda will be the fate of Modo'e packaging division, effectively earnerked for sale following the company's decision to concentrate on newsprint, fine paper and board. He may even question whether MoDo has the resources to develop as many as three core areas given increasing competitive pressures. Few would be surprised if ha opts for an alliance or disposal in due

Man.

Once it signalise the start of the London season and it remains a social event of a very English sort. The Summer Show, in which members of the public are invited to contribute up to three works of art for exhibition alongside Royal Academicians, has been held abminity since 1769. This year there were 13,000 entries pendings, sculpture and architectural designs. A fine 1,300, among them The Battiers (pictured below) by Bill Jacklin PA, were selected. After a week of private of and parties, the exhibition opera on Sunday.



Manding its return to Covent Garden after its The spirit of carnival and tropical American tour, the Royal Ballet revives Anthon Bathin comes to London on Dowell's production of Don Quicote. Sylvie Guill Wednesday when the original Trapicalia musicians, Gilberto Gil is, according to our dance critic (right) and Caetano Veloso, are ment Crisp. "trapped aboard." this Trianic of the dence: she rounited for the first time in 20 may have the wit to find the only years at the Royal Albert Hall. beit." Performences, all with loined by Gal Costa and Mile Guillem, tonight, Wednesda and Saturday. Ballet lovers in No York will be at the State Theater for New York City Bellet, Tonight in Paris, the Opera Bastille hosts

no's sister Maria Bethania the Doces Barbaros fine four great Bahians) will perform alongside the 50 drummers and denoers of the school of Samba in an climax to the Brazilian Contemporary



Sunday when the Bonn Opera stuges if Guaran a four-act opera-ballet b Brazilian composer Antonio Carlos Gomes. Based on # love story about the Guerani Indiana, it was first performed at La Scale in 1870, Long forgotten outside Brazil, it owes its current revival to Placido Domingo (right) who sings the title role. The producer is Werne Herzog, of



The Lodger/Alastair Macaulay

Pleasure lies in mystery and moral ambiguity

landlord asks his prospective lodger for her references. She asks him for his. Who is to know who is safe with whom? No one. In Simon Burke's play *The Lodger*, at the Hampstead Theatre, both landlord and lodger use each other. He, Wise, comes to think he is in love with her - but only after he has fetish-ised with her bedclothes and underwear. She, Lois, comes to regard him as the nicest man she knows – but she only makes advances to him when she needs to make up for being unable to pay her rent.

Subsequent developments are more shocking. Lois uses Wise's flat as a brothel; Wise, on discovering, beats her senseless. The pleasure of following The Lodger, though, lies not in its plot but in its mystery and moral ambiguity. Lois has lied to Wise about her work, but then she is a reluctant whore; she is manipulated by her pimp/lover Pol-lock. Wise has lied to her about working in the CID; but then he is pathetically anxious to attract some woman to relieve his loneliness. His best chum is his police colleague Reed, with whom he can discuss his needs: Lois's only chum is Pollock. who uses her repulsively. Which pair is preferable?

Every man in The Lodger uses Lois, and the play sets up quite a range of misogynies. Most overt and chilling, Reed to Wise, after a few drinks: "Pity we're not queer...A quick shag after footie...I can't see the point in women." And yet nice twist - Lois refuses to see the world as men vs. women. Though she resists Pollock's control over her, she defends him from Wise and Reed. They are cops (corrupt and brutal cops - another chilling element, especially after recent headlines): Pollock and she, she insists, are just perpetual social vic-

The Lodger, which won Burke the 1992 Mobil Playwriting Competition for Manchester's Royal Exchange Theatre (which performed it earlier this year), holds the attention easily for just over two hours. At its best, the dialogue has the menace and suspense of early (pre-1968) Pinter. it includes several glib jokes that amuse without developing the play. (Lois about Wise: "He's not that bad. He doesn't go round closing hospitals or anything.") The play disintegrates, however, as its several mysteries are elucidated. We are all p.c. enough to applaud Lois's resilience. But no character has

been explored in depth. The performance, however, is excellent, apart from two of the most unconvincing stage slaps I in the Grave and The Weekend). hangs tension in the air from the very first moment. He and his signer, Julian McGowan, create several dark scenes, turning limited space to claustrophobic advantage. Body language and verbal pacing are full of meaning and suggestion. Amid a good cast, Julia Ford and Philip Jackson, as Lois and Wisa, perfectly control the ambiguous lights by which we see

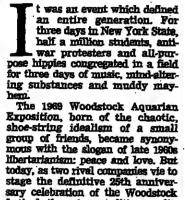
nyone seeking civilised entertainment in Covent Garden should fall into the Donmar for the next week or so where Maria Friedman is appearing "by special arrange-ment", writes Antony Thorncroft. The "special arrangements" are

the settings to her songs. Friedman asked leading musicians to come up with new ideas to pep up cabarel standards. So just as you settle back for the soothing familiarity of Bern-stein's "Something's Coming" from West Side Story you get challenged by discords from Jason Carr's arrangament which suggests, rightly enough for the young leads, that what is coming is best avoided.

In practice Friedman is such a strong performer - quirky face; blistering voice; confiding personality that you hardly notice the new garments. Also her choice of songs two yearningly sad Yiddish compositions from the Vilna Ghetto; lots of fairly rare Michel Legrand - lifts her performance out of the comfortable rut of most cabaret. The spunky arrangements from Jeremy Sams, Jason Carr, and more, are a

Although it is a pleasure to come across such novelties as a lament from a little girl swallowed by a bear, i could have done with more Broadway and less Brel. Making something of "If you go away" is meat and drink to any half decent late night chanteuse, but discovering the panazz in that most populist of all Cole Porter songs "I happen to like New York" is a real achievement. Of the moderns Sondheim comes out best: his work always seems sharper delivered up front and solo than from the wide open stage. Perhaps Friedman's greatest coup was converting Elton John's "Sorry seems to be the hardest word" into a sophisticated, heart wrenching, threnody.

So a happy two hours. Excellent band, too. The best is left for the encore: a wonderfully daffant "Broadway Baby". Someone should book Maria Friedman's ticket hava ever seen. The director, now.



lestival, these two qualities are little in evidence. Where there was once just a group of friends behind the festival, there are now corporate backers and slick professional promoters. Where there was a \$500,000 budge and an entry charge of \$18 (that hardly anyone paid), there is now a joint budget of \$26.5m and a likely

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Julian Oze

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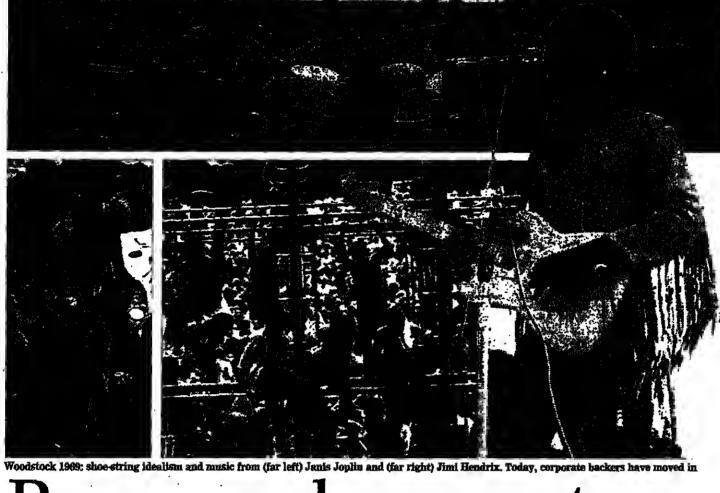
entrance charge of \$120. Where there was a modest record and film contract, there are now substantial record, film, television, and merchandising contracts. Instead of a few patrolling Hell's Angels, the occasional food vendor and endless traffic jams, there will be an eight-foot high fence and an army of security guards, concessions stands, cash machines, portaloos and park-and-ride.

In one camp, Woodstock '94 is being put together by the three men who organised the original event, Michael Lang. John Roberts and Joel Rosenman, Although the trio went their different ways after 1969. Lang remained in the music business, promoting acts like Joe Cocker and Rickle Lee Jones, while Roberts and Rosenman evolved, like numerous former hippies, into Wall Street investment bankers.

Through their Woodstock Ventures partnership, the trio are organising a two-day rock festival on August 13 and 14 in Saugerties about seven miles from Woodstock town, and expecting an audience of 250,000. The partnership is backed by the financial muscle of Poly-Gram Records (which is supplying the \$19.5m budget), top rock proter John Scher, concert promotion firm Metropolitan Entertainment, and a slick public relations

campaign. The suggested line up of musicians - Aerosmith, Metallica, Soundgarden and Guns N' Roses reflected a festival appealing not to the 40-plus participants at the original Woodstock festival but to the current 17-25 year old genera-tion of pop music fans. While John Scher says the choice of bands is timely, "because today's music and culture, energy and excitement recall the mood of 1969," some veterans of the first Woodstock are not entirely convinced that inviting the nihilistic - and sometimes downright nasty - bands of the Nineties to a rock festival is the best way to celebrate the spirit of the Sixties.

Sid Bernstein'a anniversary celebration, however, is an unashamedly nostalgic attempt to recreate the mood of the first Woodstock for an older, more affluent generation.



Peace and percentages

Patrick Harverson reports on rival bids to hold 25th anniversary celebrations of the Woodstock Aquarian Exposition

from Woodstock town proper). The veteran US music promoter who brought the Beatles to America. Bernstein ironically, has no connection with the Woodstock of 1969.

Although he was in the music business at the time, he was some way removed from the hippie cul-ture, booking acts like Tony Bennett and Sarah Vaughan at Carnegie Hall. A likeable, avuncular figure who schmoozes like a Broadway talent agent in a Woody Allen movie. Bernstein runs the Bethel '94 organisation from his Upper East Side apartment. Eight years ago, he had a Damascene conversion when, as he tells it, he visited the site with his family and was so moved by the nowarful memories of Woodstock shadowing Max Yasgor's farm that he became determined to put together a show to mark the event's quarter century anniversary. He describes it as a "mystical, magical place - almost like the Holy Grail."

farm in Bethel (actually 50 miles many of the acts who performed at given away to charity. When the liked to have seen more of an Woodstock. He has already booked several surviving Woodstock artists including Richie Havens, John Sebastian and Melanie (other key players like Jimi Hendrix, Janis Joplin and Keith Moon subsequently died of drug overdoses). Bernstein also plans to book non-Woodstock acts like Fleetwood Mac, James Brown and Ray Charles: all reflecting Sixtles nostalgia and appealing to the older generation of the CD buying public.

> ernstein has yet to receive final permission from the town of Bethel to hold his concert, and there is some doubt as to whether he has the money to stage a festival for 80,000 people. The \$7m budget, he says, is being provided by a "group of doctors and professional men in the Philadelphia area," and an anonymous group of Wall Street investors. Bernstein hopes those attending

His event will occupy the original (the Woodstock name is owned by his event will bring clothes and "I think if they're going to do it, site of the festival, Max Yasgur's the Lang triumvirate) is to present non-perishable foods that will be and call it Woodstock, I would have concert ends, he plans to give everyone a seed to plant in their gardens or neighbourhoods as a symbol of hope and new life. "This is the tone we're setting for our concert. The Woodstock generation was about peace and love, but we haven't had much peace and love in this last

So far, the sympathies of Woodstock veterans seem, if anything, to be with Bernstein's less ambitious Bethel '94. "For people who were at Woodstock, part of the charm of going again is to see how a lot of the old bands have fared," says Mark Newman, a musician with the New York rock band Tao Jones who has fond memories of losing all his clothes at the first Woodstock. "If they're going to have a lot of new bands and cater to a new audience, it's not really a 25th anniversary.

Scott Wein, a hippy-turnedmortgage broker who attended the original festival has similar doubts. attempt at a recreation of Wood stock. How can you call it Woodstock and have Guns N' Roses? The organisers of Woodstock '94 appear sensitive to these criticisms. Having originally said that the festival would feature Guns N' Roses a heavy rock band whose ethos is

about as far removed from "peace

and love" of the Sixties as is possi-

ble - it now seems unlikely that the band will appear. erhaps Scott Wein best sums up the frustrations many Woodstock vetarans feel about this summer's celebrations. "I don't resent people trying to make money - this is America. But if you're going to exploit Woodstock, I feel it will only be fair if you try to remember Woodstock for what it

was. i don't want my kid going, then coming back and saying: 'Shit,

that was Woodstock? What was the

big deal?"

INTERNATIONAL

Seiji Ozawa conducts the Berlin Philharmonic Orchestra and Ernst Senff Chorus tomorrow and Wed de Faust, and the soloists are Waltraud Meier, Vinson Cole and Sergei Leiferkus. The orchestra's Faust series continues on Sun and pext Mon with Schumann's Scenes from Faust, conducted by Claudio Abbado (2548 8132). Tomorrow at the Schauspielhaus, Marcello conducts the Orchestra of he Deutsche Oper in works by Totalkovsky and Schubert, with Volin soloist Silvia Marcovici (2090

Renate Scotto gives a song recital on Wed at the Deutsche Oper. Repairery includes Don Glovanni with Saintal Wilnes and George Whyte's new Drayfus opera, with music by Swiss composer Jost Meler (341 0249). The Staatsoper unter den Linden has Giselle, Der

Freischütz, Tosca, Paul Dessau'a opera Die Verurteiling des Lukullus and Roland Petit's ballet Dix (200 4782/2035 4494)

Bernstein's plan for Bethel '94

■ NEW YORK

THEATRE Broken Glass: set in New York
 In 1938, Arthur Miller's latest play is a short, discursive but compelling study of paralysis in the face of (Booth, 222 West 45th St.

239 6200) Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seides represent three generations of women trying to sort out their pasts (Promenac Broadway at 76th St, 239 6200) Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika played on separate evenings (We Kerr. 219 West 48th St, 239 6200) Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782) All in the Timing: six sparkling short plays by David ives add up to one enchanted evening (John Houseman, 450 West 42nd St, 239

6200) She Loves Me: the 1963 Bock, Hamick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks

Atkinson, 256 West 47th St, 307 Carousel: Nicholas Hytner's bold, beautiful National Theatre

production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont. Lincoln Center, 239 6200) DANCE/MUSIC

Metropolitan Opera American Ballet

Theetre's Spring season ends this

week with performances of La Sylphide and Giselle (382 8000) te Theater New York City Ballet's Spring season runs daily except Mon till June 26, with choreographies by Balanchine, Robbins, Martins and Tanner. Several evenings are devoted to The Diamond Project, featuring new neoclassical ballets by Ulysses Dove, Richard Tanner, Robert LaFdese and while other choreographers (870 5570) Avery Figher Hell This week's New Avery Figher Hall This week's New York Philliamonic concerts are conducted by the orchestra's music director, Kurt Masur. Tomorrow's programme is entitled American Eccentrics, with music by ives, Ruggles and others. Thurs: symphonies by Mozart and Bruckner. Fri: Mahler's Ninth. Sat: world premiere of Ned Rorem's new Concerto for cor anglais, plus works by Strauss and Beethoven (875

JAZZ/CABARET Modern Jazz Quartet begins a four night-run tonight at the Blue Note. This statiwart quartet stands at the intersection where bop and the blues meet classical, and there's nothing stuffy about it (131 West 3rd St near Stidth Ave., 475 8592)

 Andrea Marcovicci is in the midst of en Irving Berlin tribute at Algoriquin Hotel, mixing some rarely heard pleces with classics like heard pieces with classics like Cheek to Cheek (59 West 44th St. 840 6800)

 Vernal Bagneris offers a Morton at Michael's Pub, where Woody Allen continues his lob as clarinet player every Monday (211 East 55th St, 758 2272) Bobby Short, singer and showman, is in residence at Carlyle

Hotel till mid-June, giving royal treatment to gems by Gershwin, Ellington, Berlin and Cole Porter (Madison Ave at 76th St, 744 1600)

PARIS

DANCE

als Garnier The Paris Opera Ballet's riext production is a programme of 20th century cla opening on Sat and running till June 21. It consists of Harald Lander's Etudes (1952), Jerome Robbins' In the Night (1970) and William Forsythe's in the Middle (1987). A second programme, comprising works by Antony Tudor, Paul Taylor and Kenneth MacMillan, opens on June 17 (4742 5371) Théâtre de la Ville Compagnie

Michèle Anne de Mey is in residence this week with a new choreography of Stravinsky'a Pulcinella. Next week: Jan Lauwers and ... Needcompany. June 15-22: Lyon Opera Ballet (4274 2277)

Bestille A new production of Tosca, staged by Werner Schroeter and conducted by Spires Argiris, runs

till June 17 with changing casts headed by Carol Vaness/Galina Kalinina, Giacomo Aragali/Viache Polozov and Sergel Lei ferkus/ Jean-Philippe Lafont (this week's performances are tonight and Fri). There are also performances on Wed, Sat and next Tues of André Engel's production of Lady Macbeth of Misensk, with a cast headed by Mary-Jane Johnson and Jacque russel, conducted by Myung-Whun Chung (4473 1300) Opéra Comique Final performances of Don Pasquale are tomorrow, Thurs and Sat, with cast headed by Gabriel Bacquier and Leontina Vaduva (4286 8883)

CONCERTS Salle Gaveau Tonight: Victoria de los Angeles sings Schubert, Fauré and Granados. Tomorrow: Edita. Gruberova, accompanied by Friedrich Haider, in a Schubert, Dvorak and Brahms recital (4953

0507) Théâtre des Champs-Elvsée: Tonight: Gabor Otvos conducts Buenos Aires Philharmonic Orchestra in works by Gianneo, Strauss and Prokofley, Tomorrow: Antonello Allemandi conducts Orchestre Colonne and Chorus in concert performance of Leoncavallo's i Pagliacci, with cast led by Amedeo Zambon and Adelisa Tabiadon, Wed: François-René Duchable, Michel Dalberto. Jeen-Philippe Collard and Jean-Marc Luisada play concertos for two and four planes by Poulenc, Mozart and Bach. Frt Mariss Jansons conducts Oslo Philharmonic Orchestra in works by Weber, Bruch and Mahler, with violin soloist Maxim Vengerov. Next

Mon: Natalia Gutman plays Bach cello suites (4952 5050) Bastille Tornorrow: Myung-Whun Chung conducts Opéra Orchestra in symphonies by Haydn and Mahler (4473 1300) Salle Pleyel Tomorrow: Krystlar

Zimerman piano recital. Wed, Thurs, Sat: Leonard Slatkin conducts Orchestre de Paris In works by Purcell/Britten, Elgar, Dvorak and Bartok, with violin soloist Isaac Stern, June 7: Radu Lucu is soloist with Academy of St Martin in the Fields (4561 0630)

JAZZ/CABARET Singer and keyboard artist Davell Crawford, the latest discovery of the New Orleans jazz and blues scene, is in residence this week and next at Lionel Hampton Jazz Club. Music from 10.30 pm to 2 am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

 The Prince of Homburg: Kleist's drama about state power and individual freedom is directed by Alexander Lang at the Mogador Comédie Française. In repertory till June 12 (4878 0404)

 Oleanna: Charlotte Gainsbourg and Maurice Bénichou star in David Mamet's celebrated two-hander about sexual harassment on the university campus. Daily except Mon at Gaité-Montparnasse E-(4322

 The Homecoming: Harold Pinter's menacing drama is directed by Bernard Murat, daily except Mon at Atelier, place Charles-Dullin (4606 4924

ARTS GUIDE

Monday: Berlin, New York and rars.
Tuesday: Austria, Belgium,
Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germary, Scandiavia.
Thuraday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

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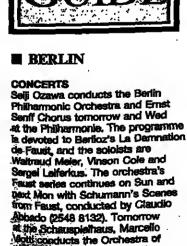
NBC/Super Channel: FT Reports 1230.

TUESDAY Euronewa; FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT

NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230, 2030

NBC/Super Channel: FT Reports 2230 . Sky News: FT Reports 0430.



No sympathy for Eurosceptics

or Americans, the glass is alwaye half full, never half empty. Having imbibed some-thing of this spirit, I find the negative attitudes of British Eurosceptics a trifle hard to stomach. To stand sullenly on the sidelines, rather than fight for the kind of union that will expand individual liberty and prosperity, would strike the typical American as the worst kind of defeatism: the Dunkirk spirit in reverse.

I realise that many Eurosceptics are keen supporters of free markets. But this means they should have little respect for the nation state, which often acts as an obstacle to the free movement of goods, not to mention people. Two centuries ago. American states manageri to pool sovereignty in a federal union that expanded economic opportunities, preserved personal freedoms and deterred aggression from neighbours. Why oppose a similar strategy in Europe?

The record of Brazil and India reminds us that bigness is not in itself a virtue. American prosperity is a product of the specific political philoso-phy adopted by the US founding fathers. And desplte the constraints they so wisely built into the constitution, Washington eventually seized far too much power. The centre's dominance explains many of today's frictions: President Bill Clinton is facing violent opposition to his social reforms partly because such decisions should be taken by lower levels of government. There is no reason why the same healthcare rules should be imposed on states as diverse as Vermont, Louisiana and Oregon.

But European nations have the US example. If they are intelligent, they will copy the best aspects of US federalism while avoiding the mistakes. The fact that European countries are long-established nation states (unlike the original components of the US union) should act as a natural brake on aggrandisement by the centre. So should the increasing number and diversity of me prepares to absorb the Nordic countries and, eventually, eastern European states.

The political landscape is



MICHAEL PROWSE ON AMERICA

also changing. In the late 1980s the likely destination for Europe seemed to be an inter-ventionist, monolithic superstate run by a clone of Jacques Delors. That dark future now looks a little less plausible. Many countries - not just Britain - are fearful of a loss of national identity. Germany, at last, is showing signs of impa-tience with the bureaucracy endemic to Brussels. And European politicians cannot ignore entirely a global tide of ideas that strongly favours free markets and personal liberty. Who would have guessed that Italy, of all countries, would

fan of Margaret Thatcher? Since there is now considerable room to influence debate in continental Europe, British Eurosceptics should stop being so negative. They could start by reconsidering their blind opposition to a single European currency. Nearly all economists agree that this would considerably enhance the commercial attractions of a single European market.

I can understand that an

appoint Antonio Martino as

foreign minister, a libertarian

old-fashioned Keynesian might fear that loss of the pound sterling would prevent a UK government creating jobs at will by printing wads of money. But most Eurosceptics are surely sophisticated enough to realise that an independent monetary policy offers only an illusionary form of eovereignty. It gives you the free-dom to create more inflation than your neighbours, but not more jobs or a higher standard of living, because these depend such as work effort and pro-

It is odd, to say the least,

a single currency are sympa thetic to rule-based global monetary systems such as the 19th-century gold standard. Yet provided a European central bank were responsibly run (which seems likely if Germany is to abandon the D-Mark), the effect on Britain would be much the same as a gold standard - protection from destabilising changes in the value of money

There is one crucial caveat. A single currency would be strous if, in the name of eocial justice, Brussels remained wedded to laws preventing the flexible adjustment of wages and social benefits in member countries. The US should serve as a warning bere. Some regions will always face special economic problems: for different reasons Texas, New England and California have all recently suffered severe local recessions. The hardship is tolerable only because depressed regions can reduce costs and regain market shares by allowing their wages and social benefits to fall relative to the national average.

But rather than opposing a single currency out of fear that regional recessions would turn into depressions, Eurosceptics should direct their fire at the root problem. This is the dotty desire in Brussels to harmonise everything, and thus prevent member countries exploiting comparative advantages such as low wages and flexible

working conditions. The terms for federal union demanded by Britain's partners could eventually prove unacceptable, for example if they threatened important liberties of UK citizens. I am not in the camp that regards Britain's future in Europe as a

metaphysical necessity. Geography is less important than in the past as Japan showed after the second world war, when it formed its main commercial (and military) ties with the US rather than its Asian neighbours. The UK could withdraw and prosper commercially, say by negotia-ting entry to the North American Free Trade Agreement should be avoidable - especially if Eurosceptics stop sulking and start working for the that many flerce opponents of right kind of liberal Europe.

ast week was one that Ms Clare Spottiswoode, the UK gas regulator with a disarming giggle, will be anxious to put behind her. From a position of relative obscurity, she found

"the laughing gas regulator". This unwelcome exposure was sparked off by spurious allegations - denied with great seriousness - of an improper relationship with a civil servant involved in her appointment. But the addition of Ms Spottiswoode to the cast of regulars in the tabloid soap opera reflects more than the traditional British obsession with hanky-panky, real or imagined, in public life.

herself splashed across

Britain's tabloid newspapers as

The UK's utility regulators are finding themselves increas-ingly in the limelight as they revolutionise the industries they regulate. They are also attracting growing attention from the politicians as it becomes clear that their decisions have far-reaching consequences for society.

Yet the UK's utility regulators were created to take complex pricing and competition judgments away from the med-dling of MPs. "Politicians made such a hash of running the nationalised industries," says Sir Christopher Foster, adviser to the government on privatisation and author of a book on regulation. "Detaching them from the day-to-day interference of politicians has been an incontrovertible good."

Until recently, the consensus was that the regulators had made a good fist of their jobs, especially in the two utilities telecommunications and gas that were privatised first.

In telecoms, prices have fallen by more than 30 per cent in real terms since 1984. BT. the privatised company that formerly enjoyed a monopoly in telephony, now faces more than 40 competitors in different sectors of its market.

If there is disquiet, it is among companies in the industry rather than consumers. BT has complained of over-regulation: Mr Don Cruickshank, the regulator, is now tackling the smaller obstacles faced by new entrants to the market, such as access to directory inquiries. Mercury, the second largest operator, has taken Mr Cruickshank to court over his approach to regulating the charges BT makes for carrying other operators' calls.

real terms, by more than 20 per cent since the privatisation of British Gas in 1986. The next stage of regulation, opening up

The regulators of the UK's privatised utilities are feeling besieged. John Willman explains why

Through gas and high water



Regulators: Spottiswoode (top left) and her predecessor, McKinnon (below left); Sir Bryan Carsberg and his successor at Oftel, Cruickshank (centre, above and below); Byatt (top right) and Littlechild

the industry to competition, is proving more controversial, however. One consequence of liberalisation could be differential pricing, if charges rose for customers furthest from the North Sea gas fields.

Before last week's events, Ms Spottiswoode had incurred the wrath of opposition MPs for appearing with Mr Tim Eggar, energy minister, at the launch of the consultative paper on gas competition. "She has adopted a Thatcherite interpretation of competition that will lead to higher prices for consumers furthest from the points where gas comes ashore, says Mr Peter Hain, the left-wing Labour MP, who advocates far-reaching changes to the regulatory system.

In the water industry, prices have risen above the rate of inflation to finance modernisation and clean up water and beaches. There is also less to keep prices down.

In the south-west of England, Conservative candidates are already blaming water price increases 50 per cent above the national average for their expected poor showing in next month's European elections.

Experiments in water metering, encouraged by the regula-tor to curb demand in areas of the country where supplies are under strain, have also proved controversial. The burden of metered charges falls more heavily on families, pensioners and low-income households. "It's illusory to believe that

politics can be removed from the utilities," says Mr Dieter Helm of Oxford Economic Research Associates. "They are central to the performance of the economy as a whole, there is a strong monopoly element and they have a large impact on living standards.

The impact of utility regulation on the economy can be seen in the electricity industry. Prof Stephen Littlechild, the regulator, refused to halt the stations, a development largely responsible for the sharp fall in mand for coal that has led to

their regulators," saye Mr Nigel Hawkins, utilities analyst at Hoare Govett. "Mr Ian Byatt fOfwat regulatorl is in favour of intensive

The regulation of the water and electricity industries reflects the personalities of

regulation. He demands lots of information from the water companies and has assembled a massive database. Prof Littlechild takes a free-market approach [to the electricity industry] and believes in profit. He wants regulation to be light-handed and therefore asks for relatively little infor

mation from the companies." There is also concern that regulators feel they must act tough. "Mr Byatt's review of the price caps for water compa-nies will inevitably be judged by ill-informed commentators on the number of companies that squeal," says Mr Robert Miller-Bakewell, water analyst at County NatWest. "If none of them appeal to the MMC, he'll be seen as a wimp."

bese differences in approach are an inevitable consequence of the way the UK's regulatory system hands power to one individual, according to Mr Helm. "If you give individuals great power, it will become intensely personalised. Just look at how different the approach of Clare Spottiswoode is compared with her predecessor, Sir James McKin-non. Yet both were appointed under the same legislation.

"A future Labour government could appoint someone completely different who could overturn the system without further legislation."

"The idea that regulation is a value-free, technical exercise is nonsense," be adds. "Regula-tors may hide behind the man-Such concerns have led to similar prescriptions from different quarters. National Power's Mr Baker, for example, has tle of competition, but they are called for a common organisation of regulators, to raise the quality of support staff and transfer experience between industries. Labour's Mr Hain makes a similar proposal. The view that regulation is

Both also support the idea of defining more precisely the role of the regulator and the establishment of strategic plans for their industries. Both want the regulatory process io

be more open to scrutiny. The only comfort for the regulators is that no one appears to want to return to the bad old days of Whitehall administration of the utilities. It is perhaps a compliment to their success that even the more party would preserve the system of independent regulation, albeit with greater accountabil-

THE EDITOR

Number One Southwark Bridge, London SEL 9HL

Crimea's wishes must be beeded

From Professor Lubomyr Y Isiciuk

Sir. Re "On the brink over Crimea" (May 24), Ukraine's borders are inviolable. But Ukraine does not necessarily covet Crimea. Russia does. Ukraine has said this territory belongs to its original inhabitants, the Crimean Tatars. Slaughtered and forcibly relocated during imperial Russian and, Ister, Soviet times, the Crimean Tatars have been welcomed back to their ancestral homeland by the present-day Ukrainian government. They do no want Crimea to become

part of Russia again. Why does your editorial fail to take into consideration the desires and aspirations of the native people of Crimea, while scolding Ukraine and, implicitly, rationalising resurgent Russian imperialism? It is Russia that is engaged in brinkmanship and the west which appears intent on repeating the crimes of appeasement at Munich and betrayal at Yalta. That way lies war. Lubomyr Y Luciuk. professor of politics and economics. Royal Military College of Canada,

Advanced banking

Kingston, Ontario,

Canada K7K 5LO

From Mr Richard Barry. Sir, While it is encouraging to read of the progress in electronic banking in Moscow ("Russian banking jumps the queue", May 24), I don't think it is accurate to suggest that its system is ahead of the west. We have had real-time banking in Ireland for about 10 years allowing counter (card + PIN) and automated teller machine (ATM) transactions to be updated instantly.

Irish ATMs are fluent in five languages (though not Russian, yet) and many have colour displays. The banking systems in several other EU member states are similarly advanced. Richard Barry. 133 Merrion Village. IRL-Dublin 1

Integrated approach is the real innovation on competitiveness

decision is described by Mr

Hain as "an effective veto on

right in the thick of political

too important to be left to the

regulators is increasingly heard in the City. Investors are

concerned that the water and electricity regulators, who are

conducting reviews, will crack

In April, Mr John Baker,

chief executive of National

Power, the privatised electric-

ity generator, called for curbs

on regulators' power. Barclays

de Zoete Wedd Investment

Management and Prudential,

the UK's largest institutional

investor, bave urged water

companies to appeal to the Monopolies and Mercers Com-

mission rather than accept

One cause of concern is regu-

lators' different approaches.

much tougher price limits.

down on price rises.

controversy.

From Mr Dick Evans.
Sir, Your editorial "A manifesto for business" (May 25), commenting on the government's white paper on competitiveness, welcomed some of the aspects of the white paper but in our view did not draw sufficient attention to the really important innovation contained in it. This is that the white paper treats UK competitiveness as a systems issue and brings together in one stream of activity the things which the

trasts with the tradition that each department of state should pursue its own departmental view of what the UK economy needs. For instance, there is, for the first time, an integrated analysis of the impact of education and training on competitiveness, as your editorial acknowledged. Moreover, the white paper

does not just dwell on what companies should do - it | Farnborough, Hants GU14 6YU

whole of government and makes it clear that government industry need to do. This conand industry need to work together to improve our competitiveness just as we see happening in so many other countries, ranging from the US to the newly industrialised coun-

> chief executive, British Aerospace, Warmick House

PO Box 87. Farnborough Aerospace Centre,

Ofgas making illogical distinctions

Sir, Your leader, "The cost of saving energy" (May 25), failed to spot the legally dubious reasons of Ms Clare Spottiswoode, Ofgas director-general, concerning the implications of price rises caused by energy efficiency expenditures.

Your discussion about who should bear the "costs" of saving energy makes the same illogical distinction between the treatment of expenditures on demand-side options (such as energy efficiency) and supply-side options (like building transmission lines) that Ms Spottiswoode has made. She has decided that the former should be seen as "taxes" or "levies" which she cannot pass through to consumers under her existing powers in the Gas Act, while the latter are long-term investments properly incurred for the benefit of all customers and thus to be paid for by all customers.

This distinction ignores that

supply-side expenditure may also benefit only a small number of customers, or particular class of customers, such as big industrial users. Conversely, supplying loft insulation to prevent the need for transmission lines in the first place may benefit all customers whether or not all receive loft insulation. Providing expenditures confer benefits on all gas customers, there is no justification for your suggestion that the costs of saving energy should be met by taxpayers rather than gas customers.

By allowing a "pass through" element for energy efficiency expenditures, Sir James McKinnon, Ms Spottiswoode's predecessor, was acting within his powers to protect the interests of consumers in respect of price. He also fulfilled his statutory duties to take into account the physical effects on the environment. Ms Spottiswoode, possibly in violation of her legal obligations,

appears to be unaware she even has such obligations. In cases of doubt, it is the role of the indiciary, rather than Ms Spottiswoode, her private advisers or members of the House of Commons environment select committee, to define conclusively the nature and extent of her regulatory powers. A judicial review would not only provide her with the guidance she clearly needs, but also clarify for the benefit of present and future directors-general of utilities watchdogs - Ofgas, Offer, Oftel and Ofwat - what their statutory duties are in respect of energy efficiency and the envi-Farhana Yamin

programme director, climate change and energy, Foundation for International Environmental Law and Development, SOAS, University of London 46-47 Russell Sout London WC1B 4JP

Critical question not answered by Lloyd's

From Mr Alexander Munn. Sir. Your report, "Lloyd's confident on solvency tests" (May 25) of the Lloyd's AGM referred to protests from the floor about Lloyd's alleged failure in the early 1980s to disseminate information to

Names about asbestos-related It did not mention the repeated failure of chairman David Rowland to answer the most critical question arising from the allegations. There is documentary evidence which

substantiates that it was

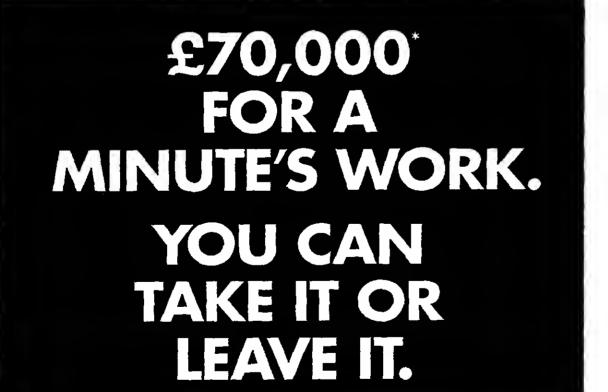
known to the then Committee of Lloyd's that enormous losses were in the pipeline. The question that was not answered was whether Parliament had been informed of these horrendous impending losses before passing in July 1982 the Lloyd'e Act, which conferred on Lloyd's the special privileges of self-regulation and

immunity from being sued. It is clear that Parliament was not informed. The facts were concealed from MPs as well as from Names, and since it is inconceivable that the 1982

Lloyd's Act would ever have reached the statute book had Parliament been aware of the immense and unquantifiable losses faced by Lloyd's, it is difficult not to conclude that these unique privileges were acquired by false pretences.

Furthermore, Mr Rowland refused to make available the minutes of the Llayd's Audit Committee and the Asbestos Working Party during the 1980-82 period. Alexander Munn

The Cottage, 9 Crown Lane, Benson, Oxfordshire OX10 6LP



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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday May 30 1994

Bringing China into the Gatt

By ending the link between China's human rights behaviour and its receipt of most-favoured bla to ensure that it develops in partnership with, rather than in opposition to, the west. nation trading status. President Clinton has opened the way for a more fruitful relationship between Washington and Beijing, as well as between tha west and Asia. With the MFN ritual now apparently abandoned, all sides must work to make China a full, open and fair player in world affairs. The framework for this participation will be set by the terms of its entry into the General Agreement on Tariffs and Trade (Gatt).

Mr Clinton's decision was correct. It is not that trade sanctions sarily inappropriate for buman rights abuses. On the con-trary, it is reasonable to appraise tha use to which countries are putting trade privileges, as well as considerable flows of foreign money in export proceeds, loans and investments. But each case is

For China, the influx of foreign capital and ideas is a force for good. Helping to support reforms which have brought greater prosperity and economic choice to most Chinese, it is their best hope for obtaining widar freedom by orderly means. Isolation of China through MFN withdrawal would

have been a severe blow to reform. Those are the principles. But of course pragmatism also played a large role in Mr Clinton's embarrassing climbdown from tha human rights conditions which he set a year ago for MFN renewal. The threat was too hlunt and too self-damaging a weapon to be effective, imposing as it did a timetable that was not likely to win the co-operation of those in Beijing who were supposed to

Economic dynamism

Had MFN been withdrawn, American companies would have lost out to their international competitors in terms of investments. markets and broad strategies in the region. The resulting deterioration of Sino-American relations would also have weakened US efforts to forge greater trans-Pacific co-operation, since most of Asia would have sided with China. Rather than creating friction, the aim must be to build relationships which recognise the extraordinary economic dynamism of partnership with, rather than in

The west needs China to play a full role in international affairs, as a permanent member of the UN Security Council with an influential role among developing countries. With its economy and trade growing so fast, China must also be an open and fair trader.

Fragile relationship

So the initial foundation of China's enhanced role in the world will be the protocol covering its accession into Gatt or the succes-World Trade Organisation. Gatt entry will serve another important purpose, since China's participation in the world economy will be based on a contract with all trading partners. The excessive burden currently placed on an evidently fragile Sino-American relationship will be reduced.

It will be a tall order to agree China's accession to Gatt this year, before the WTO takes over. Though investigations have been under way for seven years, the Gatt working party is still con-cerned to understand exactly how the Chinese economy works. Negotiators need to be sure that China'a trade policies are fair and uniform - difficult when there are so many special zones offering different incentives - and that the operation of state-owned enterprises is open, particularly the subsidiea which they receive. These issues will form the basis for other countries' ability to compete with China. China'a entry needs to be treated with urgency but not rusbed through.

Gatt membership leaves countries free to take action against objectionable practices such as the export of prison-produced goods. In this area in particular, governments - hitberto excessively relaxed - ahould stiffen their efforts to curb China's abuses Pressure over human rights issues must form an important part of the full and broad engagement with Beijing which should follow Mr Clinton's decision. It may be more effective than a threat which has achieved the release of a few dissidents before each deadline. If the opportunities afforded by the change of US policy are seized, it will be to the benefit of the west as well as of the Chinese peopla as

The pursuit of the millennium

Tha appointment of nlne millennium commissioners to help the UK celebrate the year 2000 has not exactly caught the nation's attention. The man or woman on the Clapham omnibus would have great difficulty in saying what they were for, let alone naming any one of them. Yet these nine commissioners will be responsible for spending almost £2bn of public money over the next seven years. The manner of their choosing and the way in which they propose to discharge their task reflect much that is tired about British public

First, their choosing. They have, in the time-honoured way, been appointed by the crown on the recommendation of the prime minister. Like the membership of a royal commission, they heve been selected to represent as many interests as possible. The Cabinet Office list of the great and the good has been raided once again. There is a Scot whose father is the largest landowner in Britain. Mr Simon Jenkins, the distingulshed journalist of Welsh extraction, will guard the interests of Wales. From Northern Ireland, there is a businessman who was Olympic bobsleigh gold medallist in 1964. A property developer rep-resents the north of England. There are two women (one from an ethnic minority) and a businessman-cum-quangocrat nomi-nated by the leader of the opposition. The team is completed by Mr Michael Heseltine, the trade and industry secretary, and Mr Peter Brooke, the national heritage secretary who chairs the commission.

No visionaries

These are not the visionaries who might bring original insights to the celebration of the millennium. Yet they will spend a fifth of the proceeds of the new national lottery, predicted to total about £9bn over seven years. With more than £250m a year at their disposal, the commission will enter the FT Top 40 quangos at around 22nd place. Like thousands of other government nominees on quangos who dispose of more than a fifth of public expenditure, the commissioners will be accountable

only to Whitehall. The procedures they are to adopt for deciding how to spend these considerable sums conveys opportunity.

The commission will consult the wider world through a series of regional meetings with "opinionformers". The composition of those groups can only be guessed at. But it is unlikely that they will produce the surge of popular entbusiasm that would generate proposals capable of leaving a mark on history or inspiring national renewal

Worthy projects

Already there is a queue of worthy projects building up for a share of the funds. In London, the Royal Opera House, Covent Garden, the South Bank Centre and the Tate Gallery are all looking for substantial sums. A South Ken-sington consortium including the Royal Albert Hall, the museums and Imperial College, is competing for money to turn this well-heeled London district into an arts and education centre. Outside the capital, there are proposals for a Gal-lery of Scottish Art, a sports arena in Manchester and an opera house

Such projects should be ruled out if only because they are already eligible for a share of the other four-fifths of the lottery proceeds - to be divided between the arts, aport, charities and the national heritage. The millennium fund should be used for something more exciting, to make a mark on the national consciousness. The money could be used to create a scheme to give every young person an opportunity to live in another European country for a month. Or, following Keynes's suggestion, part of it might be buried in the ground for people to find through hard work.

But the decision should not be made by such a narrow group of individuals. The commissioners should conduct polls, surveys and other exercises to search out new ideas. If the nation will be riveted to its sofas for the weekly national lottery draw on television, the occasion could be used to present and debate more ambitious ideas. Viewers in their tens of thousands already use their telephones to vote in TV talent contests and to decide which celebrity should be dipped in a gunge tank on prime time variety shows. No less is needed in celebrating this unique The IRA's search for Irish-**American** support makes it more vulnerable to demands from the US that it end violence, says Jimmy Burns

ill Clinton knows how to hold a party. On March 17, St Patrick's Day, the US president played host to a gathering at the White House which those attending will not easily forget. The guest list, led by Irish Prime Minister Albert Reynolds, included US trade union leaders, presidential advisers, human rights lawyers, businessmen, congressmen and senators. All were drawn by enthusi-

asm for America's Irish heritage.
The evening underlined Clinton's own interest in Irish affairs. He was meeting the challenge laid down by Reynolds, that, as "political leaders, we must ahow daring as never before ... in bringing about the goal

Among those attending was a leading Irisb American businessman Don Keough, the former head of Coca-Cola. Commenting on the significance of the evening for Irish Americans, Keough said: "It's like the end of a journey. Wa all had a feeling of finally arriving."

There has been Irish razzamatazz in the White House before. John F Kennedy held some cultural soirées, and Ronald Reagan entertained Tip O'Neill, the legendary speaker on Capitol Hill. But never had the invi-tation list been so long, never had the evening been so political in its scope, drawing in many of those interested in that most touchy of Irish subjects, Northern Ireland.

As Clinton himself later boasted the last time the White House had hosted a comparable party was under "Old Hickory" Andrew Jackson, the first Irish American to be voted in as president.

So who has arrived and where? On the basis of blood alone, Clinton is not a natural player in American ethnic politics. Much as he might have proclaimed his Irish roots during his presidential campaign, these are not particularly deep or immediate. One theory is that his maternal ancestors, the Cassidys, settled in South Carolina in the 17th century, Protestant emigrants from Ulster. This is hardly the stuff of Irish

forward," ahe says.

press. He is president of Mutual of

America, one of the biggest insur-ance companies in the US, with offi-ces on New York's Fifth Avenue, a

Until seven years ago, Flyn, a

third-generation Irish-American

with a sentimental attachment to

things Irish, steered clear of politi-

cal involvement in Northern

Ireland. Then one day, a group of

IRA sympathisers from the North-

ern Aid Committee (Noraid) - the

group once described by British and

Irish authorities as the main vehicle

in the US for funds and arms to the

IRA - came to his offices and asked

him to give to the Irish republican

cause. "I told them I couldn't do it.

So they said: 'Now look here, Flyn,

if you believe in a united Ireland,

what the hell are you doing about it? They made me feel like a draft dodger," he recalls.

So Flyn became involved not in

Noraid but in the Northern Ireland

Peace Movement, which is opposed to IRA violence. He subsequently

joined a number of business groups

which work closely with the British

and Irish governments to promote a

stable Northern Ireland through informal mediation and increased

investment. His reaction to the

Anglo-Irisb joint declaration in

December last year, which seeks to establish a basis for peace in the

took my hat off to John Major and

Reynolds. It was a breakthrough,"

says Flyn.
It was in this spirit that Flyn

"It was a fine declaration and !

province, was enthusiastic.

prime mid-town location.

nationalism, but it was enough for the Clinton presidential campaign to set up Irish liaison groups and to garner as many votes as Kennedy did among Irish-Americans.

In return, Clinton promised the earth - or so it seemed to those Irish republicans who had loug sought to draw the US into playing an active role in Northern Ireland. The "earth" was Clinton's promise to send a presidential envoy to sort out the mess in Belfast. Since becoming president, Clinton

has put the envoy idea on the backburner. But his decision in February to grant a visa to Gerry Adams, the Sinn Féin president, against the advice of state department officials and UK government objections, seemed to presage a new activism.
To Irisb-Americans such as Niall O'Dowd, editor of New York's Irisb Volce, a newspaper for Irish Americans, Clinton has shown not only that he has a grasp of Irish issues, but that he can deliver on tbem. "Under Clinton, Irisb-Americans have been allowed and encouraged unprecedented access to key White House officials."

surface Britisb nervousness about Clinton's attitudes on Northern Ireland, particularly that the IRA was about to get a pat on the back. But the visa was never intended as an endorsement, nor did it turn out that way. So says Nancy Soderberg, a senior member of the US National Security Council, who belped persuade Clinton to grant it. Ms Soderberg is a self-assured, young political operator who, as a former foreign affairs adviser to Senator Ted Kennedy, spent years

The visa decision brought to the

before bombs invited Adams in February to speak at a conference on the future of ern Ireland. She believes Clinton is committed to conflict resolution, as Northern Ireland - which sparked a facilitator rather than intervener. off the visa row. "I wanted to help "We wanted to expose Adams to American opinion that is opposed to the procesa towards peace," says Flyn. He believed then, and still violence and try to reach out in believes, that far from promoting the IRA's armed struggle, the Adams visit strengthened the hand favour of moving the peace process Clinton'a record in conflict resoluof moderates in the republic move-ment and exposed republican hardtion elsewhere is not sparkling. But his aides believe a belping hand

Ballot blarney

liners to the moderation of most from the White House - drawing on Irish-Americans. He has no regrets the support of most of the 44m about the invitation. Irish-Americans - could bolster the Drawing on his contacts in the Irish peace process, widely viewed Irish republican movement, Flyn as irreversible.
The man who invited Mr Adams says: "I think the Adams visit achieved more in 43 hours than 20 to the US. Bill Flyn, hardly fits the years of violence did. He realised that, if he was to make progress, it picture of the republican hard nut dapicted by the British tabloid

would have to be through dialogue and not through the bullet." The majority of senators and

American-style Irish patriotism was once described as a 'windbag or a phantom, the laughing stock of sensible men'

congressmen who backed the Adams visa also say they did so not as a sign of support for IRA violence but to achieve peace. Tha group includes congressman Joseph Kennedy, nephew of former President Kennedy, son of former attor-ney-general Robert Kennedy, and a rising political star on Capitol Hill. Six years ago the young Kennedy's tour of Northern Ireland drew the wrath of the UK tabloid press when he got into an argument with a Britisb soldier and told him to get out

of the six counties. Kennedy, who represents Boston, which has one of the largest Irish communities in the US, is now defensive about his reputation as a leading critic of Britain's military presence in Northern Ireland. "Whatever [sectors of the British media] may think, I am not pro-IRA," he says.

Despite his continuing sympathy with the republican ideal of a united Ireland, Kennedy says: "l have never met with the IRA

down their arms. Given my family's history of assassination, how could I possibly condone the use of a gun to make a political point?" On the Hill, the one person who speaks out unflinchingly and often in defence of the IRA is Peter King, a Republican congressman for Nassau, New York state. The son of a

Naw York policeman of Irish descent, King says he supports the IRA out of personal conviction, having been converted to the cause after Bloody Sunday in 1972, when British paratroopers shot dead 13 civilians in Northern Ireland. Whila King has few supporters among congressmen or in his con-

stituency, he personifies a sentimental loyalty to the Irish republican cause as well as the angiophobia which dates from the 1840s, when the first flood of Irish immigrants came to America after the Irish famine.

This patriotism - American style - was once described by James Stephens, the Fenian leader, as a windbag or a phantom, the laughing atock of sensible men and the El Dorado of fools ... speeches of bayonets, gala days and jolly nights, banners and sashes...bunkum and fulsome filibustering".

It sprang from ethnic insecurity and a sense of profound powerlessness as poor Catholic immigrants tried to forge an identity in a country settled by Puritan colonists. From the early 1970s, it became a source of funds and guns for the IRA as Irish-Americans, mindful of the civil liberties enshrined in the US constitution, protested against what they considered human rights violations against Northern Ireland's Catholic minority. One of the Irish-Americans deeply

embedded in republican folklore is Michael Flannery, founder in 1969 of Noraid. Flannery fought in the IRA's North Tipperary brigade before emigrating to the US after partition in 1921. There, Flannery and a few friends set out to radicalise some of the social clubs catering for Irish expatriates.

Today, aged 92, poor, lonely and suffering from arthritis, Flannery personifies the romance and the limitations of Irish republicanism in the US. He lives with his memories in Jackson Heights, a New York

suburb where Irish Americans are now outnumbered by Latin Americans, and where drugs trafficking is more common than Irish

republican propaganda. Fiannery chuckles as he recalls how in 1982 he was acquitted of raising \$16,800 for the purpose of supplying rifles to the IRA. The prosecution collapsed after defence lawyers uncovered potentially embarrassing connections between the arms dealers and the CIA. "They never proved we were financing the IRA," Flannery says.
Flannery left Norald in the late

1980s after the organisation split over whether Sinn Fein and the IRA should continue abstaining from politics in the south of Ireland. Those who remained in Noraid supported political involvement in the south, alongside armed struggle in the north Flannery rejected political involvement. But he remains committed to the armed struggle as the means to achieve one state on the island of Ireland. Noraid's current chief, the much

ounger Martin Galvin, works from a lawyer's cramped office in New York's Bronx area. Galvin insists Flannery jumped ship unnecessar-ily. He thought we were going away from republican princi that the armed struggle would be wound down. The last eight years have proved that these [fears] were not justified."

et Flannery is not alone in thinking that Noraid, for all its rhetoric, has gone "soft". The FBi and Britisb intelligence believe Norald's fund-raising abilities have diminished - down to less than \$200,000 a year from close to Fim in the early 1980s. This is the result of splits in the movement, recession, FBI infiltration, and bet-ter information being made available about Northern Ireland.

There is now evidence that Noraid no longer represents the hardest line among Irish-Americans. At a ticket-only banquet held by an offshoot of the organisation, called Friends of Irish Freedom, in South Boston this month, a keynote speech by Tommy McKear-ney, a former IRA member who served 15 years for shooting a British soldier, rejected the joint declaration ontright. He was warmly received by 200 people from the Boston unit of the organisation when he said Gerry Adams should insist British troops got out of Northern Ireland before further negotiation, or hand over the Sinn Fetn leader ship to somebody else.

Though the Friends represent only a small minority of Irish-Americans, they might be a source of support for a reconstituted armed struggle if some militant Irish republicans were to end violence in response to the joint decla-

ration.

Despite divisions among Irish republican supporters, US interest in Northern Ireland seems certain to increase in coming weeks. Bars in New York, Chicago and Boston are gearing up with sweat-shirts. stickers, baseball caps and advance block bookings for matches, as they await the arrival of the Irish World Cup football team and its supporters. The turn-out will represent the biggest single instance of Irisb immigration, albeit temporary, since the famine. And some bars will, no doubt, be collecting for the

The earlier Irish migration sprang from suffaring and fostered a romantic sense of Irish history which militant republicans have been able to translate into money for guns. While those first Irish immigrants clambered on to American shores as supplicant refugees, today's festive Irish fans will find a community of Irisb cousins who have themselves "arrived" and are now finding their voice around a new US presidency.

It is not the type of community in which the IRA can take for granted support for its campaign of vio-lence. Numbering about five times as many Irish men and women as live in Ireland, north and south, the community's politics is informed by moderation. As Bill Flyn puts it: "l think the real power of 44m Irish Americans has been awakened. It's available to anyone who wants to be a peacemaker.

Step up, President Clinton

Ms Liberty gets a rival

■ China is on a bit of a roll at the moment. Last week the US abandoned attempts to link China's trade status with human rights. Now Shanghai wants to erect a bigger and better version of New York's Statue of Liberty.

It is only five years since some of China's "huddled masses yearning to breathe free" were massacred at Tiananmen Square. so it seems a bit rich to erect a monument celebrating liberty.

However Shanghai, which has soaring ambitions as a financial and trade hub, wants to mark the turn of the century with an eye-catching sculpture. Whether it will be on Chongming Island at the mouth of Yangtze, or Wusongkou island, hasn't been fixed yet.

What's not in dispute is that It will be 118m tall, compared with Miss Liberty who is 92m tall If she stands on her pedestal.

Summer break

■ Pack up your sunglasses and beach towels. Bill Foggitt, the 81-year-old Thirsk weather sage, says the spring bank holiday is

going to herald a warm spell that should last all summer long.

May was colder than usual with the odd ground frost, be said. The frogs felt confident enough this year to lay their eggs at the edge of his neighbour's pond. Dry springs are ensured when the spawn appears out in the middle.
Tha swallows arrived early,

always a good sign, and the oak was out before the ash, an essential for a fine summer.

Early birds

Hands up all those British company chairmen who leave their Rollers in the company car pool so that they can avoid being taxed

on the personal benefit? Lucky they don't have to live in the US, where a new law requires that taxes must now be paid on subsidised car parking. Sounds an excellent way of making sure that the top brass gets into the office before the troops.

Casing the joint

■ The jockeying for power at Newspaper Publishing, owner of the Independent, continues apace. Sergio Cellini, 38, who looks after corporate strategy for L'Espresso, the Indy's Italian shareholder, has

OBSERVER



'Can he recite lottery numbers under pressure?"

been appointed an executive director of Newspaper Publishing. Since virtually everybody else on the board is non-executive, Cellini will be in a powerful position in a company which doesn't have a chief executive. He will be responsible for managing those activities not contracted out to the Mirror Group Newspapers. such as printing and marketing. One school of thought suggests that ha has been imported to keep an eye on Cornel Riklin, 38, the

Swiss whiz kid put on the

Newspaper Publishing board by MGN's David Montgomery. Both went to US business schools and are ex-management consultants. However, a more likely suggestion is that Cellini has been brought in to keep an eye on Andreas editor-in-chief and chairman of Newspaper Publishing.

Heavy going

■ Interest in the OECD secretary-general stakes is hotting up ahead of next week's annual meeting of the Organisation for Economic Co-operation and It is unclear whether the winner

will be announced at the meeting or whether the race will be extended. But atudents of racing form believe that Jean-Claude Paye, the current secretary-general, lies well back in the field while Lord Lawson, the former British chancellor of the exchequer, has been catching up fast on Don Johnston, the North American favourite.

However, Johnston's trainer, Canada's Foreign Affairs department, desperate to disprove gossip that Johnston is finding it heavy going, has been circulating a 14-page collection of Johnston's thoughts. These include extracts

from his memoirs, Up the Hill, and gems from a recent speech to the Ontario Sewer and Watermain Contractors' Association.

Nuts

■ The polluter must pay. And so say all of us. Last week, Petrobras, Brazil'a state oil company and one of the most inefficient in South America, was blamed for an oil spill which polluted 18 beaches along the São Paulo coast. It was the second worst on record, according to the environmentalists.

Cetesb, an environmental agency, sprang into action and announced that Petrobras was to pay double the maximum fine, since it was by no means its first offence. But and such are the joys of inflation

- what was a daunting sum in 1991 now amounts to just \$2. Less than the cost of a cup of coffee

Poor reception

Concern about the quality of the output of some of Britain's new ITV franchise holders, highlighted by last week's review by the Independent Television Commission, reminds Observer of an old definition:

Television is a medium because it is neither rare nor well-done.

FINANCIAL TIMES

Monday May 30 1994



Hungary's ex-communists poised to resume power

Former communists are poised to regain power in Hungary after scoring an overwhelming victory in yesterday's second and deci-sive round of parliamentary elec-

The Hungarian Socialist party, having won 33 per cent of the vote on May 8, extended its strong first-round lead and was last night within grasp of an absolute majority of seats, which

and diplomatic communities.

An exit poll chowed the Socialists performing better than expected and projected the party as taking 203 of the 386 seats in the new parliament. That would enable it to govern without the

tion partner.
The electorate has apparently forgiven a party discredited by its origins in the communist

regime. Hungary joins Poland and

pushed voters back into the embrace of revamped commu-

In yesterday's vote, the Socialists eppear to have relegated the Hungarian Democratic Forum, at present the largest party in the parliament, to a humiliating third place with an estimated 34 seats, down from 165 in 1990.

The Socialists have said they will invite the Alliance of Free Democrats, the liberal party placed second with a projected 75 seats, to join a coalition govern-

However, the Free Democrats declared that an absolute Socialist majority would all but preclude their participation in a coalition in which they would be dispensable allies.

Western business people and diplomats have favoured Free Democrat involvement as a guarantee that the Socialists would stick to their commitment to free markets and integration with the

Tapie to challenge bank on debt deal

By Alice Rawsthorn in Paris

Mr Bernard Tapie, the French politician and businessman, has promised to challenge Crédit Lyonnais today by launching a legal action to overturn the bank's decision to terminate his five-year debt repayment agree-

The court case is an attempt by Mr Tapie, whose Energie Radicale movement is riding high in the polls on the eve of the European elections, to prevent Crédit Lyonnais from demanding the immediate repayment of a large portion of his FFr1.2bn (\$200m)

Crédit Lyonnais sent a bailiff to Mr Tapie's Paris town house 10 days ago to serve notice that it was revoking an agreement signed in March giving him five years to repay his debts. The bank stepped up the pressure last week by demanding that Mr Tapie repay FFr450m by next Thursday, and at the weekend, it took out a seizure order over FFr100m of cash held by one of his companies

Mr Taple has suggested the Crédit Lyonnais demands are part of an establishment plot against him. He said at the weekend his lawyers would take out a court order to force the banks to abide by the original five-year

Crédit Lyonnais is trying to clean up its loan book as part of the FFr44.9bn governmenttrated by Mr Jean Peyrelevade, its new chairman. The bank says the move against Mr Tapie reflects concern about his financial state and the risk of claims from other creditors, notably the tax authorities, which are investigating the purchase of the Pho-

céa, his luxury yacht. However, associates of Mr Tapie yesterday dismissed the bank's position as "totally unjus-

The confrontation comes during Mr Tapie's campaign for the European elections, but, so far, the legal and financial threats appear to have have boosted his popularity.

His populist Energie Radicale movement still commands about 10 per cent support for the elections and he is now the leading left-wing contender for next spring's French presidential vote.

An opinion poll in yesterday's Journal du Dimanche newspaper puts Mr Taple in third place for the presidency with 10 per cent support, ahead of Mr Jacques Delors, president of the European Commission, and Mr Michel Rocard, the Socialist

The only contenders ahead of Mr Tapie are Mr Edouard Balladur, centre right prime minister, with 19 per cent, and Mr Jacques Chirac, conservative mayor of Paris, with 13 per cent. But Mr Tapie shares first place with Mr Balladur among voters aged 18 to 30, among whom both men have



Gyula Horn of the Hungarian Socialist party votes in the second round of the parliamentary elections. Mr Horn is wearing a brace for his neck, which was injured in a car crash

THE LEX COLUMN

Equity debate still opaque

trading should be made more transthe last date for responses to the Securities and Investments Board discussion document on the topic. But a consensus is still elusive.

On the side of transparency are derivatives traders and some, but not all institutional investors. They would like access to the prices at which market makers offer to trade shares with each other through inter-dealer broker screens. The traders feel such prices are nearer to shares' "true" prices than the mid-points between bid and offer shown on Seaq, and so are better for pricing options and futures. Similarly, some investors think a glimpse at the IDB screens would help them

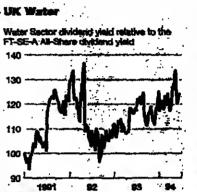
negotiate better deals Market makers, by contrast, argue that secrecy is necessary for them to lay-off the risks they incur through quoting continuous two-way prices. More openness over IDB prices would lead to a squeeze in their margins, Equally, if they could not hide the prices at which large blocks of shares traded, others would know if they were long or short and so take advantage of them. Transparency would force them into defensive trading strategies, and so reduce market

liquidity.
This debate cannot be resolved on theoretical grounds. The respective advantages of openness and liquidity have to be weighed. Since what is needed is effectively a cost-benefit analysis, SIB should commission an economic study to inform the next stage of its deliberations.

Corporate Disclosure

Annual meetings have become more exciting in the wake of the stock exchange's guidelines on corporate disclosure. More companies are using the occasion to make significant statements on trading, just as the guidelines require. The market, however, is not quite sure what to make of it all. Both Ladbroke and Inchcape fell sharply on annual meeting statements that some saw as profit warnings. The new approach is bound to make share information is allowed to seep gradually into the market. But that is a price worth paying for a fuller disclo-sure policy. Besides, the market has yet to learn to expect such statements and get them in perspective.

This seems to have been a particular problem in the case of Inchcape,



which thought it was simply confirm-ing something the market already - that this year's first balf would not look good against the same period of 1993 when the yen was lower. Ladbroke at least divulged something new about the weakness of its credit betting business. But in neither case was the statement easy to evaluate. The provision of some extra information inevitably leads to a demand for more.

Much though companies shy away from the effort involved, it looks increasingly as though quarterly statements may be the answer. Investors would have some numbers to go on, which would not need to be audited instead of just the chairman's annual meeting text. Moreover, a quarterly statement would be regarded as rou-tine. If disappointments emerged, it would not necessarily be dubbed with the title of profits warning.

UK water

Water companies stand out among utilities for having operating costs which have risen since privatisation. The high level of capital investment since then is part of the explanation. since new plant also has to be ser-viced. But the suspicion remains that Ofwat will impose tough efficiency targets when the results of its regulatory review are announced in July. That would be a way of keeping water bills down while holding out the promise of profits acceptable to the City.

Judging which companies will face the toughest targets is tricky. While companies with large urban populations such as Severn Trent and Thames tend to have the lowest unit costs, that is largely a matter of geography. Ofwat's own comparisons between companies have produced differing results. Capital efficiency - a company's ability to build facilities cheaply - should also be taken into account. If Ofwat is concerned to hold water bills down, though, companies which have asked for the highest price increases are likely to be told to achieve most by way of efficiency.
Whatever the final outcome, the

ability of companies to meet their targets is what matters to shareholders. Companies which can best their efficiency targets will be able to raise profits and dividends faster than their peers. On that logic, the difference between well-run and badly managed companies will be clearer in the sec-ond half of the decade. Water company ers can expect investors to scrutinise their performance more closely.

National Grid

Goldman Sachs' appointment as the National Grid Company's adviser is not only a mark of how US investment banks are invading British banks' home territory. It also moves the Grid's flotation one step nearer. The final decision will be taken by National Grid Holding, the parent company, and the 12 regional electric-ity companies which own it. But the Grid itself is straining at the leash and Goldman, which masterminded Vodafone's demerger from Racal, will pre-sumably furnish clever arguments for demerger this time too.

The industrial case for demerger looks strong: the Grid would be able to develop its business better if it was free from the tutelage of 12 bickering shareholders. There is also something in the financial case; investors would be able to buy the Grid direct rather than via a Rec where it is submerged by other businesses.

Still, most estimates of how much shareholder value would be boosted look optimistic. It is not possible, as some sales patter suggests, to add the Grid's value of, say, £4bn to the Recs' collective capitalisation of £13bn. Rec shareholders would quickly notice that the Grid's dividends, which account for nearly 10 per cent of Rec earnings, had vanished. They would also appreciate that the Grid's divilends provide high quality income fo Recs since they are almost three times covered by the Grid's earnings. Finally, there could be a tax payment of up to £1bn. While ways of avoiding tax can be dreamt up, the Treasury would not be pleased. And, given its golden share in the Grid, it has the power to demand a slice of the profit.

Sweek:

Ups and downs of world's tallest coaster

By Allson Maitland in London

There were more red faces than white knuckles in Bleckpool, Britain's leading resort, when the world's "tallest, fastest and steepest" roller-coaster came to e halt during its public debut. The stoppage, on Saturday

stranded 30 members of the roller-coaster's fan club two thirds of the way up the 235-ft-high ride, was apparently caused by an oversensitive computer control-

the computer stopped the ride," said Ms Helen O'Neill, public relations director for Blackpool Pleasure Beach, the amusement park that features the 85 mph roller-coaster. "It's so good that

it's over-efficient." The 30 stranded pass "most" of whom remained unconcerned - were brought down the ride's 65-degree drop after 10 minutes and given champagne. But thousands of people who had been queueing for 1% bours had to be turned away while engi-

"We investigated for two hours to see if there was anything at all to make it stop," said Ms O'Neill.
"We beven't discovered anything untoward." The rollercoaster, was operating normally

The roller-coaster, built with 2,600 tonnes of galvanised steel, is named Pepsi Max Big One under a £1m (\$1.5m) sponsorship deal with Pepsi-Cola Internation

al'e sugar-free cola drink. The ride was designed by Arrow Dynamics of Clearfield, Utah. Its president, Mr Ron

Toomer, suffers from motion sickness and sticks to designing roller-coesters by computer

rather than riding on them.
The Thompson family, which
owns the 42-acre amusement park in Blackpool and paid £12m for the Big One, will keep its fin-gers crossed that there will be no repeat of the stoppage when the holiday crowds arrive today .

Tomorrow they will be calling on their Utah consultants to investigate more fully. "We'll be asking them if there'e any way of toning the computer down."

If you want to know

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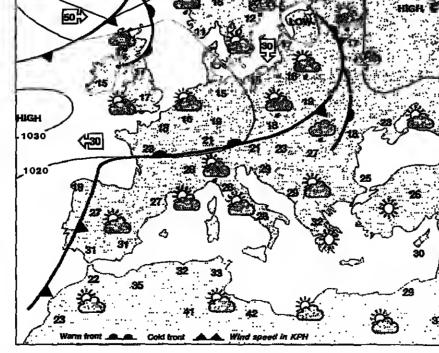


Europe today

A ridge of high pressure will promote dry and cool conditions in most of western and northern Europe. Scotland and Norway will become cloudy later on. Southern parts of the British Isles, the Low Countries, Germany and Poland will see some sunny spells with afternoon temperatures between 15C-20C. The Alps will have e few showers while the experience outbreaks of rain. Tropical heat from Africa will slowly expand over southern Europe, Inland areas of Spain will have temperatures above 30C with thundery showers in the late atternoon and evening. It will continue to be sunny and quite warm in Italy and the southern parts of Greece.

Five-day forecast

Western Europe will become much warmer for a short time. The heat from Spain will spread to France on Tuesday and the Low Countries on Wednesday and Thursday. At the same time much cooler air from the Atlantic will spread into the UK and weste France causing an outbreak of thunder storms over Benefux and France, Eastern Europe will slowly become warmer, with high temperatures by the weekend.



TODAY'S TEMPERATURES cloudy sundividually shower sundictoudy cloudy fair shower sun sun fair fair sun fair The best connection in Germany Lufthansa

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UK group

£400m US

the London stockmarket in

recent weeks has forced FKI, the Halifax-based electrical engi-

neering and electronic compo-

neering and electronic compo-nents group, to abandon a £400m (\$600m) US acquisition. FKI has been involved in dis-cussions with its target, thought to have been e bulk handling systems manufacturer, since the

start of the year and agreed a

purchase price, only to see its ability to fund the deal whittled away by the slide in its shares.

Rumours of a possible rights asue from FKI, to fund a big

abandons

purchase



OTHE FINANCIAL TIMES LIMITED 1994

Monday May 30 1994

MARKETS



GLOBAL INVESTOR Election euphoria is waning in Italy and the Milan equities market, which has far outperformed other leading European bourses thie year has been falling steadily over the past two weeks. Those clever

enough to have taken profits at the top will have locked in capital gains of almost 30 per cent since January 1 in local currency terms and roughly 40 per cent in dollar terms. So should investors sit tight in the hope of e rally, or lighten their Italian exposure in expectation of a further decline? Page 19



PETER NORMAN: ECONOMICS NOTEBOOK When politicians and opinion formers worry about an economic trend, it is often a sign that something is about to go right. This could be the case with Britain's aggard investment performance,

which has long been of concern to the government and groups such as the Confederation of British industry. Page 19

It has been the same pattern for monthe now: each time Europe's bond markets edge cautiously higher after a bout of weakness, they get battered by another wave of selling, pushing prices to new lows, Page 20

Chartists are back in the ilmelight as stock market analysts struggle to find their footing. Page 21

EMERGING MARKETS: Friday offered distinct contrasts in sentiment on China'e fledgling stock markets, Page 21

The dollar will again be the focus of attention when traders return to their desks. Page 21

COMMODITIES:

Public holidays in the UK and the US give traders a chance for a breather today, and the investment funds whose money has been mainly responsible for the surge in commodity prices will have an opportunity to consider where they go from here.

UK COMPANIES:

The board of JW Spear, which owns the rights to the board game Scrabble outside North America, has been split by the unsolicited offer for the UK company made by Hasbro, the biggest US toys and games group. Page 16

INTERNATIONAL COMPANIES:

Commerzbank's partial operating profits rose more than 11 per cent in the first four months of this year, Indicating e successful full 12 monthe, Mr Martin Kohlhaussen, chairman, told shareholders.

STATISTICS

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London share service . 28-28 Managed fund service 23-26 New int bond issues 20 World stock mkt indices .. 22 Establishment in position to win large minority stake in Creditanstalt-Bankverein

Austrians set to see off foreign bank bid

markets for the rest, the consor-tium has shown that it is not

trying to win the bank on the cheap by playing the nationalist

The reasons for this strong ral-

lying of all the Conservative

forces are not just poblical.

Conservative establishment looks set to prevent Creditanstalt-Bankverein from falling into foreign hands with its impressive Sch7.2bn (\$622m) bid for a large minority etake in the country's second largest bank.

Mr Ferdinand Lacina, the Austrian finance minister, has promised to decide "before summer" on completing the privatisation of the venerable bank, choosing between the consortium's bid and

one by CS Holding, the financial group built around Credit Suisse. The government still holds 49 per cent of Creditanstalt's capital, 70 per cent of the voting Mr Lacina, a Socialist, has

made no secret of his preference for CS Holding, even after the consortium's bid, saying Creditanstalt needs a strong strategic pariner. But he would put the Socialist-Conservative coalition that has long shared political and economic power in Austria under severe strain if he dismissed such a large assembly of leading Con-

And at a time when the country is fecing e referendum on joining the European Union and a national election, neither side

tria.
Then, two months ago, Bank
Austria lost patience with the The consortium is led by EA

Generali, an insurance company that is controlled in Italy but has Conservatives' dithering over restructuring the ownership of GiroCredit, the savings banks' its roots in the Austro-Hungarian empire, and by First Austrian, the large Vienna-based savings central clearing organisation, and snapped it up with a knockbank group. They are backed by 18 blue

chip industrial companies, including crystal makers Swarov-The result is that Bank Austria controls directly or indirectly about 60 per cent of all banking ski, the motor group Porsche, the dominant brewery group Brau-Union and the building materials business done in the country. Meanwhile, Creditanstalt has group Radex. Several prominent families. been paralysed because of Mr Lacina's hesitation in completing its privatisation. such as the Mayr Melnhofs, owners of a large paper group, have put their personal prestige and money behind the offer.

Early this month, Mr Rainer Gut, chairman of CS, confirmed that his group was interested and Mr Lacina made clear that he Moreover, hy offering the going market price for half the govern-ment's shares and undertaking to would welcome e CS bid. back a secondary offering in the

But then Mr Gut gave a remarkably candid outline of his group's thinking to the leading Austrian news magazine, Wirt-schaftswoche, Initially, CS would take a 20 to 30 per cent stake, but it would insist on first refusal of the rest of the finance ministry's shares and ultimately hoped to buy 100 per cent.

Three years ago, the Conserva-tives watched belplessly as the Socialists snatched the banking Creditanstalt would retain its identity, but would adhere to CS industry lead from Creditanstalt group strategies. More important, hy having their large Vienne he said CS would "de-politicise" savings bank group, Zentralspar-kasse, take over the troubled



Ferdinand Lacina: will choose between the consortium and CS Holding

flagship commercial bank to ner in the governing coalition. share the spoils of government and government influenced business. And that would further it. If that happened, the Conser-vatives would no longer have a Party, already the minority part-

might not be disappointed if that happened, but they can hardly be surprised that the Conservatives

international acquisition, have been circulating in the London stockmarket since the turn of the year when Kleinwort Benson Securities was appointed as the company's stockbroker, succeed-ing Pannure Gordon. FKI was nerged from FKI Babcock in 1989. The company's financial adviser is N.M. Rothschild. FKI sought to finance the deal

via a rights issue but dropped its plan at the last minute because of worries that shareholders might balk at an issue in current volatile market conditions. The rights issue would have had to have been priced at a deep dis-count to FKI's share price which has fallen 15 per cent to 180p since hitting an all-time high of 212p on March 21. Over the same period the FT-SE Actuaries All-Share index has dropped 7.I per cent and the FT-SE Actuaries

The abandonment of the US deal is seen as a blow to FRPs strategy but the company is thought to be still seeking further acquisitions, albeit of e smaller size. FKI's last purchase was in the US in November last year when it acquired the Truth hardware business from SPX Corporation for £68m.

The company is scheduled to announce preliminary results on June 16. Analysis' estimates of end-March range from £50m up to 253m. Kleinwort Benson, the company's broker, expects it to achieve profits of 252.5m. The dividend total is forecast to rise more than 20 per cent to a consensus figure of 3.7p.

Mr Jeff Whalley, FKI's chairman, was on holiday in France yesterday and unavailable for comment. Mr Bob Beeston, FKI's chief executive, was on holiday

Taking fright at a hint of bad news

The City of Landon is being David Wighton looks at the effect of a recent accused of overreacting to companies' downbeat trad-London Stock Exchange rule on trading statements

ing statements in the current round of annual meetings.

Following recent new guidelines from the London Stock Exchange these statements are much more detailed than in the past and some companies believe analysts are assuming they must contain bad news.

affairs director at Inchcape, the UK motors marketing and services group, says: "When any-body puts out a full statement the market inevitably thinks it is a profit warning."

For their part, some analysts and investors are unhappy that annual meetings are now being used to release more detailed trading Information, even though the statements are released through the Stock Exchange at

the same time. Says one analyst: "If you need any clarification of after which the leisure group's the statement on the screen, all the people who can belp are et shares fell by 16.50 to 182.50. Lad-broke said the level of detail in the announcement, which, for example, included sales growth the agm. You either have to trek out to the meeting or wait in the queue for them to return calls." figures for Texas Homecare for the first four months of the year, Inchcape saw its shares fall 4 per detailed trading update at its ness as well as the new Stock Exchange guidelines.

annual meeting. Yet Mr Duncan insists that the Yet in this case there was statement was not e profit warning and that most of the informaimportant new information that group profits were running tion was already in the market. below last year because of a When the new guidelines were downturn in credit betting - and introduced by the Stock Exchange we were assured that since the market was hoping for an optimistic statement the price

to them. But how long is it going Knowing that there would be considerable interest in the Last week also saw a very full announcement Ladhroke put it

agm statement from Ladbroke, out over the Stock Exchange news service at 9.30am, well before the statement was made to shareholders at the 11.00am meet-The company said this allowe

analysts to telephone in with queries before the meeting and helped them decide whether It was worth their while going. One fund manager, who is against companies giving impor-

tant new information to the annual meeting, believes Lad-broke's approach is at least some

"It makes it more likely investors and analysts can get quick answers to any queries or it may persuade them they are better off jumping in a cab." But Inchcape's Mr Duncan

argues that releasing the state-ment early is unfair to those shareholders who are on their wey to the meeting and he believes that the communications problems are greatly exagger-"Unless you are holding the

egm in the Orkneys and the phone lines go down people are overreacting

One problem is that the new guidelines has been uneven with many giving no more details on current trading than before, particularly if the news is good. If group profits are "showing an improvement ... despite difficult trading conditions" many companies will leave it at that.

For those gazing at their City screens the rule of thumb still holds: the longer the trading statement the worse the news. Lex, Page 14

This week: Company news

NISSAN

Car demand still falling in the land of the rising ven

Nissan, Japan's second largest car maker, is expected to paint a hleak picture of the state of the country's auto industry wheo it releases its results on Tuesday. Domestic demand for vehicles fell

for the third successive year during the 12 months to March. It was down by 7 per cent while overall production fell 12 per cent. Nissan has been one of the bardest hit among Japan's battered carmakers, says Mr Koji Endo. industry analyst

at Lehman Brothers. While the company has made good efforts in the domestic market with the launch of new models, overseas business has been tut by the yen's appreciation against major currencies.

In the first half of the fiscal year. Nissan posted its worst results since it became a public company - a pre-tax loss of Y28.9hn (\$275m) and a net loss of Y38.6bn.

The company was forced to revise down its earnings estimate for the year and will sell assets, such as properties and securities, to shore up its results.

Mr Endo believes such asset sales will help the parent company to break even before tax, but lead to a wider net loss on a consolidated basis due to the poor performance of overseas

subsidiaries.

He suggests that the company needs to reduce its models, rationalise aggressively and cut capacity further. The closure of another plant, in addition to the planned closure of Zama next year, cannot be ruled out, Mr

Nissan itself appears more optimistic about the outlook for the current year. It believes it can increase unit sales this year by 7 per cent on the strength of a recovery in domestic demand. However, the company is cautious about the outlook for exports where the yen's strength is still an obstacle.

Share price relative to the FT-SE-A All-Share Index

BOOTS Heart drug provision slows UK drugs group

Boots, the UK retailing and pharmaceuticals group, is expected to complete the latest round of retailers' results on Thursday with an increase in pre-tax profits from £406.7m to about £460m (\$690m) before £35m exceptional charges for withdrawal of the Manoplax heart drug.

Boots' shares have enjoyed an easier ride this year than in 1993, when they lost their premium to the retail sector amid concerns over increasing price competition with rival Superdrug, and uncertainty over the future of both the pharmaceuticals business and Do It All, the loss-making DIY joint venture with W.H. Smith.

The price war with Superdrug has cooled, and uncertainty over Do It All ended this month when the venture partners said they had agreed to sell 40 stores and planned to sell 60 more. cutting the chain to 140. They expected it to return to profit in the financial

year 1995-96.
Doubt remains, however, about the pharmaceuticals division. Boots has confirmed that Credit Suisse First Boston is valuing the business, but insisted it was keeping all options open. Analysts believe Boots would be unlikely to be able to sell it without

diluting earnings. For the year to March, Goldman Sachs is forecasting increases in operating profits at Boots the Chemists from £285m to £321m.

OTHER COMPANIES Berlusconi sale marks distancing of empire

the market would soon get used

Editore, the Italian publisher, meet in Milan today to approve proposals for the sale of up to 53 per cent of the group, which is controlled by the Fininvest media empire of Mr Silvio Berlusconi, Italy's new prime minister. Mondadori would be merged with Silvio Berlusconi Editore, his other publishing interests, before the sale. A roadshow to promote the sale will begin on Wednesday. The flotation represents the first step in attempts by Mr Berlusconi to distance himself from his ousiness empire.

■ Horten: The stores group is holding its annual press conference in Dusseldorf today. German department stores sales dived in April after an unexpectedly good first quarter. Optimism about prospects for the rest of the year has taken a knock now that the 1994 pay round, resulting in real wage cuts, is starting to tell on spending power. Also today in Dusseldorf, the Mannesmann engineering and mobile telecoms group

will hold a results press conference. ■ De La Rue: The UK bank note printer, which ended hid talks with Portals on Friday, is tomorrow expected to report annual pre-tax profits of around £121m (\$180m), up from £104.7m. The bank note division has benefited from strong demand from the emerging nations of eastern Europe.

Share price minthe to the CBS All Share

reaction was only to be expected.

■ Volkswageo: Bullish noises are expected from VW at its annual meeting on Wednesday in Hamburg. The group is bidding to break even this year (again). Much depends on the state of play with the Spanish subsidiary Seat, blamed for last year's DMI Sbn (\$107bn) loss, and which is still restructuring.

Cranada: The UK leisure, television and computer services group reports first-half results on Wednesday. Last time, before the takeover of London Weekend Television, Granada had pre-tax profits of £68m. This time analysis are expecting £90m-£100m. which would be a considerable achievement given that little more than a month's profits will be included

■ KLM: The Dutch alrline is expected to unveil a modest return to the black when it publishes results for 1993-94

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Com

ero Estatos	16	Gaz de France	17	National Bank
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itanstalt-Bank	15	Inchcape	15	Slough Estates
	17	factors	17	Spear µW)
				Sun Alliance
	15	Lactoroke	15	Syntex

Business Booster



In Sweden, Ielia operates the world a mast successful mobile telephony service, both in terms of geographical coverage, reliability and user penetration. And maintantonal services were introduced way back in 1981? Today, we are putting this vant experience that good use in a range of major joint-ventures. From Russia to Raly. From ensieth and AMPS.
We bring a lot more than beclusted excellence into these partnerships: born and bred in the world's stout open telepom nark-replace fineholding three competing CSM open-tors), we have learned quite a few things about customers and business crientation, as well as efficient administration. So, what shout regular telephony? In the UK, Telis was one of the first breign-owned customers themsed to provide international trailic. An 1 in Estmia, as part-owners of the national public network, we are actively involved in a major

international trailie. An 1 in Estraia, as part-owners of the national public network, we are actively involved in a maj moderatization programme.

Together with PTT Telescon Netherlands and Series
Telescon PTT, Tella has created Unisoance to provide seam less global services for data contempolations and message handling. Unisoance is also a leading European operator of satellité services.

Military une une and selections area de Table is bloba.

Wherever was are, and whatever you do, Telia is there
in boost year business, any way we can.

COMPANIES AND FINANCE

JW Spear board split over £47m bid from Hasbro

The undertakings become

irrevocable on Friday if a

higher offer has not received.

international toy companies

which might be interested in

Spear, but the tight timetable makes it doubtful that another

buyer would have time to

intervene. It seems most likely that the rest of the board will

try to obtain a higher offer from Hasbro, in exchange for

Spear is also probably of the

greatest value to Hasbro, which since 1989 has owned

Scrabble in Canada and the

US, where the game was

Hashro said the acquisition

would be a logical extension of

expand core operations around

Scrabble accounts for 40 per

cent of the UK group's sales and one source said "the rest of the games portfolio hangs

Hasbro's offer of 900p a share

is a premium of more than 21

per cent to the last reported dealing price of 740p on May

ness to the US group.

the world.

their recommendation.

Barings is approaching other

By Andrew Bolger

The board of JW Spear, which owns the rights to the board game Scrahble outside North America, has been split by the unsolicited offer for the UK company made by Hashro, the biggest US toys and games

At a board meeting on Saturday, all but one of the Spear directors rejected the £46.9m cash offer, which was launched late on Friday.

The exception was Mr Francis Spear, the group's chair-man, who said he thought the terms - worth 900p per share were fair and reasonable.

In its offer, Hasbro said it intended to encourage Mr its strategy to develop and Spear to continue to manage Spear's Enfield, London, manufacturing plant. It also seems unlikely that Spear could see off Hasbro by just selling the Scrabble busi-

The rest of the Spear board, and the company's financial adviser, Barings, said Hashro's offer was totally inadequate. The board instructed Barings

to solicit higher offers. Hashro is in a strong posi-tion, since it already owns a 26.7 per cent stake in Spear and has received undertakings to accept its offer from some Spear family trusts which control a further 24.9 per cent.

NA Life **buys Sun** Alliance offshoot

By Alison Smith

Sun Alliance, the life and general insurance group, has agreed to sell its Canadian subsidiary to North American Life Assurance Company for C322m (£10.6m).

The move follows the sale of its general insurance business in Canada, announced last

Sun Alliance sold that operation to Royal Insurance in Canada, at the same time as it bought Royal Insurance's non-life business in New Zealand, as the two British groups rationalised their overseas

Sun Alliance is no longer actively seeking any new business in Canada, though a small operation to look after the multi-national interests of

existing clients remains.

Sun Alliance set up its life company in Canada in 1962. It did "quite well", but once It became clear that with the disposal of the non-life business there was no scope for sharing costs or customers, the group decided it would be sensible to be "open to offers".

North American, a mntual life company which is based in Toronto, is the largest direct marketer of life insurance in

rispian Hotson was in a was crazy to get involved in son estimates that Ryan, in hurry when he arrived coal and in Wales. They told which he and other managers and take lots of sleep. "But 1 saw the chance of taking the rigid structures out of a nationand saw it as a "wonderful opportunity". His timing was way out. He will find out soon alised industry and was con-

electricity." on some significant successes. the Derek Crouch contracting company in the north-east of

does not intend to be thwarted. "I have been waiting for this moment for 10 years." he says. "It was my whole raison d'être for investing in coal." A 42-year-old South African.

in the UK 10 years ago

after a spell in the US. He

thought the British coal indus-

try was about to be privatised

whether he was right about the

Mr Hotson's Ryan Group last

week notified the government that it was interested in bid-

ding for three of the five Brit-ish Coal regions which are

being sold off in the return of

the industry to the private sec-

tor after 47 years of state con-

trol. Ryan faces considerable competition but Mr Hotson

opportunities.

Mr Hotson is a life-long oppo-nent of apartheid but says that was not his motivation for leaving the country.

"My father told me the best business opportunities were outside South Africa." he says. After taking a degree in nat-ural sciences at Cambridge, stints in the US copper and coal industries gave him the

wherewithall and money to

return to the UK in 1983 to

take over at Ryan, a coal recor-

ery company capitalised at £4m.

me to keep on taking the pills vinced the LK government would privatise coal before

in soite of his miscalculation, Mr Hotson can look back Helped by the acquisition of England in 1937, Ryan is a sig-



nificant force in opencast coal. in Dalquhandy, Lanarkshire, and Stohswood, Northumberland, it has two of the largest and longest lasting opencast mining contracts in the coun-try. The UK opencast operations produce more than 3.5m tonnes of the company's 5m tonnes a year of coal, most of the rest being mined in the US (1m tonnes) and Poland (150,000 tonnes). Operating profits have been

"My merchant bankers said I generally healthy and Mr Hot-

have a 25 per cent stake, will make about £9m on turnover of £110m this year.

The moment of truth for Crispian Hotson

Michael Smith begins a series of profiles on potential bidders for British Coal

Mr Hotson is respected among his mining peers. "He is bright and sharp, says one British potential rival bidder for British Coal. "He knows the industry inside out." But Mr Hotson's 10-year period at Ryan has had some fraught moments, most of them emanating from an sbortive attempt to merge with Carless, the UK oil independent in 1988, and a subsequent decision to mount a highly leveraged £70m management buy-out at Ryan.

With coal companies poorly rated at the time, the buy-out must have seemed a good idea for a company which had long term plans and thought the stock market concentrated too much on the short term.

But the high debts incurred in staging the MBO was the main reason why Ryan made losses of £4m two years ago. In spite of a financial restructuring, which involved Electra, the venture capital group, taking a 25 per cent stake in the company, debts remain high at £60m. The debts will also reduce pre-tax profits to about £4m this year from £9m at the operating level.

Rivals say the indebtedness puts Ryan at a disadvantage. especially as the company cannot tap the stock market for



Crispian Hotson: I've been waiting for this moment for 10 years

funds. Mr Hotson sees no disadvantage, saying that a pri-vata company has as much access to equity capital, and is confident of being able to bid for all three regions, the north-east of England, Scot-land and south Wales, where

he has pre-qualified. Ryan's negotiating powar should be strengthened by its decision to mount two of the potential bids with partners -Alcan, the Canadian aluminium company, in Scotland, and Miller, the construction group. in the north-east of England.

And if they are successful, Mr Hotson has no doubts about Ryan's ability to make a success of assets which British Coal has struggled to make

"When the UK coal industry was producing 100m tonnes a year it was never going to be competitive. But it can certainly make money at half that

level," he says.
Ryan would consider employing different mining techniques from British Coal and would try to involve employees more, not least through share ownership schemes. None of this is particularly unusual. What marks Mr Hotson and Ryan out from the pack are their staying power. "He has hung on in there through thick and thin for a decade," says one coal executive. "No-one could call hlm an opportunist. He from the British Coal spoils."

S&N plans to sell more pubs

Scottish & Newcastle is holding discussions to sell the remaining 270 Chef & Brewer pubs beld by Morgan Grenfell, following Thursday's completion of the sale of 450 C&B pubs to Mr Michael Cannon.

S&N, the brewing and leisure group, acquired Chef & Brewer last November and was obliged to sell down 748 pubs in order to comply with the Government's 1989 Beer

These pubs were switched into holding companies controlled by Morgan Grenfell, and there are 270 pubs remain-

two and a half years from

via Flotation

Bredero dissidents seek to block bid

By Simon Davles

A group of private shareholders accounting for more than 10 per cent of Bredero Estates are preparing to oppose Slough Estates' bid for the troubled prop-

They claim that the offer, pitched at a 50 per cent discount to Bredero's share price prior to the announcement, is "unfair and opportunistic."

At present, their opposition would be sufficient to block Slough's offer, which is conditional upon 90 per cent acceptances. However, Slough already owns 50 per

cent of Bredero and it stands to gain significant tax benefits if it can push beyond 75 per cent ownership. It is therefore likely

group of five holdings, are complaining about the valuations of the properties, which they feel do not reflect their potential performance in an improving property

Bredero's only significant remaining assets are development sites in Hammersmith and Glasgow. Its other assets, which at the peak of the market were valued at more than £100m, were sold to stave off its

The company was negotiating the sale of its half interest in the Buchanan Centre, in Glasgow, to pension fund group AMP Asset Management, before the Slough offer came in, indicating that there is out-

Bredero has built up substantial tax losses, which Mr Alex Henscher, one of the dissident shareholders, claims

ACQUISITION FINANCE

of losses in the past three years, in addition, he says the offer attaches no value to Bredero's property management expertise.

"We are not looking for a higher offer but prefer to see Bredfero continue in bustness, and hopefully rise from the ashes, he said. However, Morgan Grenfell, the adviser

to Bredero's independent board members, has fully supported the offer. The bank points ont that Bredero's

standstill agreement with its bankers will last only until September, and the company would probably be forced to sell at least one, and possibly both, of its two significant assets.

of 1985/1995

Interest Period:

Frankfurt/Main, May 1994

The valuations for these sites were made independently in December 1993, and unless these are exceeded, the company recessary. will offer substantial valua would crystalise its current net asset. The dissident shareholders, so far a to Slough, given more than £100m value.

CROSS BORDER M&A DEALS						
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT		
Sendoz (Switzerland)	Gerber Products (US)	Food	£2.5bn	Bid excites food sector		
TCI (US)/Sumitomo (Japan)	JVs	Cable TV	£333m	Two cable ventures		
HJ Heinz (US)	Farley (UK)	Food	£94m	Boots sells baby food arm		
HJ Helriz (US)	Glatto India (India)	Food	£47m	Glaxo focus on pharmacouticals		
Samsung Electronics (South Korea)	(Lox (Japan)	Audio equipment	£13m	Taking 51% stake		
Courts Consulting Group (UK)	GBA (France)	Business services	£10.1m	Consolidating European position		
Burnfield (UIC)	Advanced Particle Measurements (UK)	Distribution	£1.3m	Cash deal		
Unitor (Norway)	Unit of SNC-Lavalin (Canada)	Fire protection	n/a	Ginge-Kerr sold		
Alcan Aluminhum (US)	Leichtmetallwerk Nachterstedt	Aluminium	n/a	Buy from Treuband		
Great-West Life (Canadal/Axa (France)	JV .	Insurance	n/a	China move plenned		

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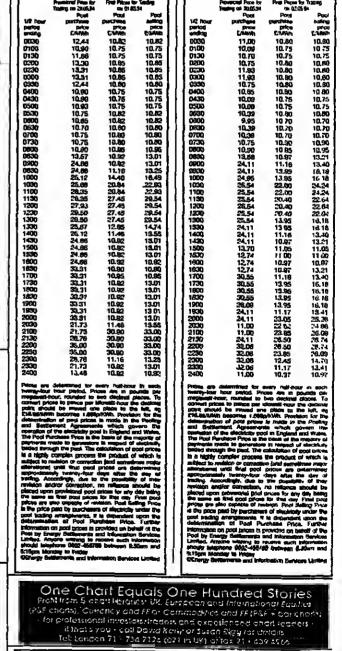
Murray House, 1 Royal Mint Court, London EC3N 4HH. Telephone: 071-696 2804

FINANCE

NOTICE REGARDING Ref Res # Re **EXPORT TO INDONESIA** PT Surveyor Iodoocsia (PTS1), headquartered in Jakarta, was established in July 1991 to progressively take over Indonesia's Preshipment Inspection Programme from Societe Generale de Surveillance SA (SGS) in line with Transfer of Technology PTSI, a joint vecture hetween the Indonesian Government and SGS, officially opeced its United Kingdom office under the name Surveyor Indooesia (UK) oo 1st April 1994. Surveyor Indooesia is commined to providing the same high quality of standards and procedure as has been provided by SGS. Surveyor Indonesia (UK) is fully operational as of 1st June. While physical inspection will continue to be performed by SGS United Kingdom Ltd, all administrative activities relating to preshipment inspection of Indonesia's imports are being processed by Surveyor ruriner announcements about the development of Surveyor Indonesia (UK) will be made in due course. In the meantime, if you have any questions, please contact the Indonesian Department at SGS United Kingdom Limited or Surveyor Indonesia (UK), 3rd Floor, Compass House, 207-215 London Road, Camberley Surrey. GUI5 3EY, Tel: 0276 21266 Fax: 0276 26051 COMMERZBANK OVERSEAS FINANCE N.V. U.S.\$ 100,000,000 Floating Rate Notes May 31, 1994 to November 30, 1994 (183 days) Interest Period: May 31, 1865 to 1885 COMMERZBANK



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CITY

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COMPANIES AND FINANCE

heavily as

runs out

By Richard Waters

in New York

drug patent

Profits at Syntex, the US drugs

company being bought by Roche of Switzerland, slid in

the latest fiscal quarter, as

sales in the US of its leading

product, Naprosyn, slumped to just \$36m, from \$200m a year

Operating income was

\$23.6m, compared with \$158.8m (before a \$140m

restructuring charge) a year

before. Net income of \$22.4m, or 10 cents a share, compared

with a post-restructuring

\$40.8m, 18 cents, in 1993. The period, to 30 April, was

the first full quarter since the

US patent on Naprosyn expired last December. To

maintain its market share, the

company sold its own low-margin generic version of the

drug and the compound to

other manufacturers. In addition to the \$36m in

the US, sales of Naprosyn, the

generic product and the com-pound reached \$58m elsewhere

in the world, compared with

\$62m a year before.
The falling sales of the high-margin branded product led to

e decline in Syntex's gross

margin to 71.5 per cent,

from 77.8 per cent the year

Total sales for the period

dropped be nearly a third to \$402m, from \$584m.

Sales of its other leading

product, Toradol, fell to \$81m, a decline of 15 per cent from

the previous year's \$95m. Ana-

lysts had been predicting a

gradual increase in sales of

Toradol compared with last

Canadian bank rises

National Bank, Canada's sixth biggest bank, reported second-

quarter net profit of C\$51.9m

(US\$37.6m), or 27 cents e

First-half profit was

C\$102.5m or 54 cents a share,

an increase of 20 per cent from

Commerzbank sees signs of solid full-year results

By Christopher Parkes in Frankfurt

ispian Holy

HOST MAN DEALS

Commerzbank's partial operating profits rose more than 11 per cent in the first four months of this year, indicating a successful full 12 months, Mr Martin Kohlhaus sen, chairman, told shareholders yesterday.

Interest earnings rose 6.9 per cent, due largely to strong demand for building loans, and commission income from securities trading was up 6 per cent, helped by a particularly strong month in January. Own-account trading made e satisfactory contribution, in

spite of more difficult conditions on international financial On full operating profits for the early part of the year -after allowing for loan

provisions - Mr Kohlhaussen

By Alice Rawathorn in Paris

Havas, the French media and

leisure group, is considering

plans to expand its interna-

tional interests through e part-nership with a US group in the

multimedia field, according to

Mr Pierre Dauzier, chairman.

Mr Dauzier, speaking on French radio, said the group's

plans were still in the early

stages, but he hoped to start

negotiations soon with a poten-

coberent and constructive

we've got to find a partner in

the States," he said. "We're

considering the matter at the

"If we want to do something

said the group result was

higher than last time. The need for further provicions would decrease, he said, although economic volatility still apparent in Germany and elsewhere meant there had been no easing in the credit risk situation. The bank expected no losses

on its exposure of around DM200m (\$121.9m) to the recently-collapsed Schneider property business. The buildings involved had been completed, Mr Kohlhaussen Deutsche Bank, Schneider's

riggest creditor, recently said it had provided some DM500m against possible risks. Mr Kohlhaussen said pre-tax earnings hed shown double-digit growth. He attributed this to the inclusion of

moment. Perhaps between now

and the end of the year we'll be

aggressively in the media

sphere since its privatisation in the mid-1980s. It is already

the largest force in French

advertising, through its Euro-RSCG subsidiary, with exten-sive interests in travel and

Mr Dauzier has made no secret of his ambitions of

extending the group's influ-

ence in the multimedia field.

He scored e coup earlier this

year when he won control of committed to s Canal Plus, the dynamic hold in the US.

able to talk about an agree-ment with e US company."

1-for-10 rights offering.

• Insurance group Aachener und Münchner Versicherung reported a 7 per cent rise in premium income in the first four months of this year. Comextraordinary profits from the sale of stakes in the Karstadt blined with falling claims, this led to a "very satisfactory" start to the year, the annual meeting was told. retailing group and the DBV Holding insurance business.

who suggested the DBV deal with Switzerland's Winterthur

However, the full effect would not show this year.

because the sale was to take

effect in several stages. Shareholders later approved

a board proposal to increase

the bank's authorised capital

by up to DM400m. They also

authorised the issue of up to DM2bn worth of convertible

Earlier this year, the bank raised DM945m through the

issue of 3m new shares in a

bonds and other paper.

was worth up to DM500m.

Havas considers US link French pay TV group, after forging a controversial alliance with other shareholders which triggered the resignation of the Havas has already expanded founder and chairman, Mr

André Rousselet. The Canal Plus coup fol-lowed an agreement which left Havas strengthening its links with France Telecom, the state-owned telecommunications group that has become its partner of choice in multimedia. Mr Dauzier has also been increasing Havas's international interests with e number of deals in other European countries. He has long been

committed to securing e foot-

FNAC returns to profits growth

By Alice Rawsthorn

tial US partner.

FNAC, the French music and books retailer, returned to profits growth in the first half of the financial year with a 20 per cent increase in net profits, to FFr60.6m (\$10.8m) from FFr50.5m a year earlier.

The group, which faces fierce competition from Mr Richard Branson's Virgin Megastores,

said it was on course for recovery after e sharp fall in net profits, to FFr31.9m, in the year to August 31 from FFr159.5m the previous year,

FNAC last year was destabli-ised by the financial pressures of the French recession, and by uncertainty over its future ownership. GMF, its old parent company, was forced to cede control to a consortium com-

FIDELITY INTERNATIONAL FUND (in dissolution) Société d'investissement à capital variable Kansallis House - BP 2174 L-1021 Luxembourg

We hereby inform those who were Shareholders of Fidelity International Fund, a société d'investissement à capital variable

incorporated under the law of the Grand Duchy of Luxem-

bourg, that the Fund has been dissolved as per the decision of

Consequently, as from May 24, 1994, those who were then

Shareholders have been issued with new shares in Fidelity Funds-International Fund. The old bearer certificates are to be

returned to the registrar Fidelity Investments (Luxembourg,) S.A., Place de l'Etoile, BP 2174, L-1021 Luxembourg, for cancella-

INTERNATIONAL BANK

US \$ 2,286.81 per note of US \$ 100,000

neral Meeting of May 20, 1994.

* Interest period: May 27, 1994 to November 28, * Interest payment date: November 28, 1994 * Interest rate: 4.45% per annum

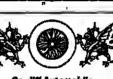
Coupon amount: US \$ 228.68 per note of US \$ 10,000

reholders at an Adjourned Session of the Extraordinary

investments'

Crédit Lyonnais bank and Compagnie Générale des Eaux, the industrial group.

Although the economy is still under pressure, it has improved since last summer. FNAC, which also benefited in the first half from the opening of a store in Madrid, saw interim sales rise 5.5 per cent to FFr5.31bn from FFr5.03bn.



£328,000,000 Floating Rate Notes Due 1995

Notice of Final Redemption

Notice is humby given to the holders of the £328,000,000 Floring Rate Notes (JA) plc (the "issuer") that in addition to the amendatory redeemption of Notes required by paragraph 5(d) and pursuant to paragraph 5(d) of the Terms and Conditions of the Notes, the issuer has elected to exercise the option to redeem in accordance with the procedures of Euroclear and CEDEL all outstanding Notes at their principal amount (together with accused interest) on the interest Payment Date "Redemption Date") as from (and including) which such other interest on the Notes will come to accurae.

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THE FINANCIAL TIMES PUTTING THE COLOUR. BACK INTO ART

Syntex falls Yen's rise hits Japan's shipbuilders

(Ybn)

Japan's shipbuilders and heavy industrial companies, which reported their first drop in annual profits for three years, are in e double bind.

Their worse-than-expected performance reflects the ero-sion of their proportionately high foreign earnings by the yen's rise, plus the continued decline in capital investment by customers in Japan.

Pre-tax profits declines, rang-

ing from 15.3 per cent at Mitsu-bishi Heavy Industries to 0.8 per cent at Hitachi Zosen, underline how the shipbuilding divisions face another round of cost cuts if they are to become competitive with low-cost South Korean yards. In most cases, however, ship-

building margins were last year close to the previous year's This was because Jananese yards were working before the international plunge in ship prices and demand. Ishikawa-Harima Heavy, for example, reports that its order backlog has dwindled from e peak of 2.44m deadweight tonnes in 1991, to 1.27m dwt last year. Recent orders, taken et

towards the end of the orders

made up to two years ago,

Mitsubishi Heevy

Kawasaki Henvy

Ishikawa Harim

Hitachi Zosen

Sasebo Heavy

prices up to 20 per cent below those two years ago, will show through in earnings next year and the year after, indicating that "shipbuilding profits will be terrible", forecast Mr Mat-

thew Ruddock, transport machinery analyst at James Capel Pacific.

119.20

Already, Sasebo, the smallest of the group, has admitted that costs are higher than the con-tract price for four of the nine vessels on its order books. This is likely to be true of other builders. Among these are MHI, Mitsui Engineering and Shipbuitding and Kawasaki Heavy Industries, which are working on a joint contract for riers for Qatar, at an estimated Y26bn (\$248.9m) per vessel,

rent exchange rates.

All this implies that the most diversified beavy industrial groups will do best in the coming years. Meny of them increased their dependence on shipbuilding in the late 1980s to take advantage of a rise in demand - but are now having to retrench because of Japa

nese yards failure to compete MHI, for example, has reduced its dependence on shipbuilding and steel structures to 18 per cent of sales, so that power systems now repre-sents its biggest sector, at 27.4

per cent. IHI derived a mere 19 per cent of its Y862.9bn turnover from shipbullding last year, even after a 27 per cent jump in shipbullding and offshore sales to Y165.4hn. Sasebo, by contrast, looks badly exposed, with 70 per cent of sales derived from shipbuilding.

Funds for

By Kenneth Gooding, Mining Correspondent

UK arms of

metal group

Metallgesellschaft, the German

metels group, has injected

fresh funds into two UK sub-

French win German gas deal

By Judy Dempsey in Berlin

The privatisation of eastern Germany's gas sector has been completed with Gaz de France, the state-owned French monopoly, buying the production and storage facilities of Erdöl-Erd-gas Gommern from the Treu-hand privatisation agency. The sale also ends a long

struggle between Vereinigte Elektrizitätswerke Westfalen (VEW), the Dortmund-based utility company which tried to acquire EEC, and Gaz de France. The French group earlier this year pipped VEW to the post by putting in e higher cash bid to the Trenhand. Mr Michel Bellec, head of Gaz de France in Germany, declined to disclose the precise

"This purchase is part of our programme of internationalising the company," said Mr Bellec. Gaz de France is the world's largest gas company, selling an annual 36bn cubic metres of gas. Last year, it recorded DM350m (\$213.4m) profits on turnover of more

The purchase contract, which involves the French company investing over DM720m and guaranteeing 600 jobs in the eastern state of Saxony-Anhalt, gives Gaz de France e potential foothold in the region's gas sector, Eastern Germany's gas sector is run by Verbundnetz Gas (VNG). Ruhrgas, which enjoys a 70 per cent market share in western Germany, holds the majority of shares in VNG.

However, Gaz de France may want to use EEG more as a storage facility than as a production outlet, as the gas produced in eastern Germany is low quality. Known as Altmark gas, it contains ebout 70 per cent nitrogen and needs special burners and changes et e gas turbine before it can be

EEG has contracts to supply gas to VNG until 2005. although experts say Gaz de France has inherited unfavoureble contracts because the delivery price is too low. VEW made the same point during its negotiations to acquire EEG. Altmark gas delivery contracts cost about 95 pfennigs per kWh, and are priced at e 25 per cent discount from H-gas, the natural gas Germany imports.

sidiaries as part of its policy of strengthening core trading activities. The move comes in spite of deep financial troubles et the company.

The paid-up capital of its
London Metal Exchange trading business, Metallgesells-chaft Ltd (MGL), has been increased from £33m to £47m (\$70.5m). Mr Michael Hutchin-

son, managing director of

MGL, claimed this made his company the most heavily capitalised ring-dealing member of the exchange. in the six months to March 31, MGL - which is 86 per cent-owned by Metallgesellschaft, 9 per cent by MIM of Australia, and 5 per cent by Nissho Iwai of Japan - made record pre-tax profits of £22.3m, compared with £10.4m for the whole of

the previous 12 months. Metaligeselischaft has also injected a \$30m long-term subordinated loan into The Metal physical non-ferrous metal

Reunion Mining issue raises \$9m

By Kenneth Gooding

size of the cash payment,

Reunion Mining, which has share, up 27 per cent from C\$40.1m, or 23 cents, a year earlier, writes Robert Gibbens copper and diamond exploration interests mainly in Zimbabwe, has raised US\$9m through e placing with European institutional investors, on terms that give the company a market value of \$30m. Its the previous year's C\$85.1m or shares are expected to start

trading on the Luxembourg

stock exchange in mid-June. Most of the money raised will be used to bring into operation the Sanyati mine, 190km west of Harare in northern Zimbabwe. This is predicted to produce 2,500 tonnés of copper annually for the first four years, and then 5,000 tonnes for another six years. Costs

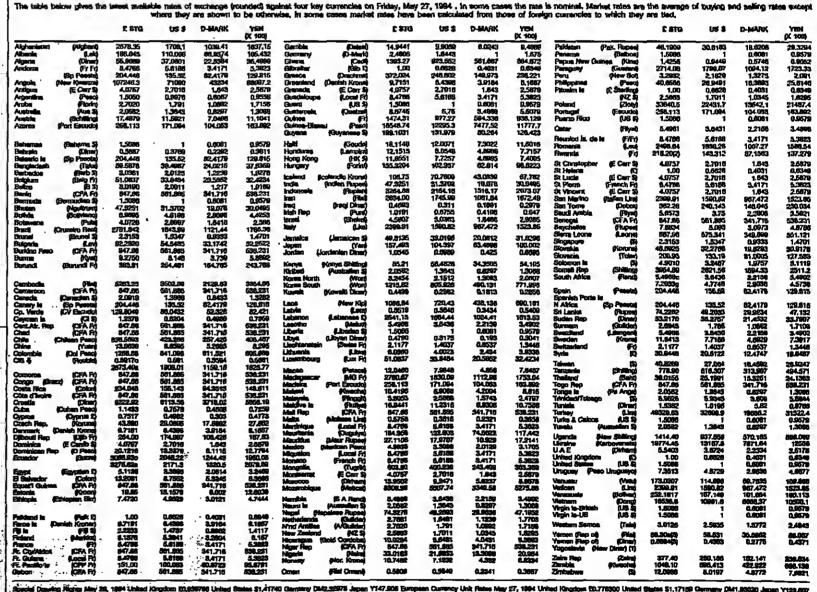
will be very low, at about 45

own 75 per cent of the mine but carry all the costs. The rest will be owned by the Zlmbabwe government. Reunion is also one of the

most active exploration companies in Zimbabwe, concentrat ing on diamonds. The company says it had completed regional exploration of 43,570 sq km. representing 11 per cent of the surface of Zimbabwe.

and Commodity Company, its trading arm in London.

FT GUIDE TO WORLD CURRENCIES



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THE WEEK AHEAD

Skir Work Es.

Th. 2nd. Jun.).

On Thursday, June 2 the Financial Times will publish an in-depth survey of Foreign Exchange. It will look at the principal causes of fluctuations between Dollar, Yen, D-Mark and Sterling.

It will also discuss the explosion of investor interest in emerging markets, which has prompted a growing awareness of 'exotic' currencies such as the Turkish Lira and the Malaysian Ringgit.

Other areas covered include the difficulties of integrating former communist countries into the international employment and monetary system. And it will examine the need for greater stability and new 'rules of the game' in the currency system. FT Foreign Exchange Survey.

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UK COMPANIES

TOMORROW

COMPANY MEETINGS: Neverk, Nottingterne Stoper & Friedlander Street, Bishopegale, i World of Leather, No N.W., 12.00 BCARD MEETINGS:

Finels:
De La Rue
Physis
Rockwood Mins.
United Breweder
Interiors: Seazer Hon F& CPEP tow. Tat.

WEDNESDAY JUNE 1 COMPANY MEETINGS: Acts Property Hidgs., Ironno Hell, Sheftenbury Place, Berbio Kingfisher, The Dorchester Hotel, P. Lane, W., 11.00 Transfer, The Royal National Hotel, Bedford Way, W.C., 11.00

ondon & Overseen Freight

M THURSDAY JUNE 2 COMPANY MEETINGS: Beetile (1), 71-78 Victor

Toutons Foods, The Howard Hotel, Temple Piece, W.C., 10.00 Scottish Television, Cowcaddens, Glesgow, 12.00 BOARD MEETINGS: Temple Piece, Strend, W.C., 3.30 BOARD MEETINGS:

Drawton Eng. & Int. Tat.

FRIDAY JUNE 3

icit Hotel, Dyce, Ab 12.00 load Stoke-on-Trent, 2.30 Ulgher Televiyi Belinet, 12.00 BOARD MEETINGS:

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PERFORMANCE & PROFITABILITY Innovation matters. Directors know this. The question is how to englocer your organisation for the appropriate levels of innovation. This conference, chaired by Robert Heller is organised by The Strategic Planning Society.
Contact: Jo Maioce, The Stratogle
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SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED Notice is hereby given that the first Annual General Meeting of Qualifying

Policyholders of Scottish Equitable Policyholders Trust Limited will be held at 28 St Andrew Square, Edinburgh on Thursday 16 June 1994 at 2.30 pm for the

. To consider the Company's Report.

To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.

To reappoint the Directors of the Company retiring by rotation at the Mooting.

(a) The Rt Hon Lord Younger of Prestwick KCVO TD DL (b) Barry B Scaley CBE BA (c) Charles F Sleigh CA

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his groxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary (ot the following address), must be deposited at 28 St Andrew Square, Edinburgh before 2.30 pm on Tuesday 14 June.

Every Qualifying Policyholder whose policy, as at the commencement of the

Meeting, has been at least one year in force is entitled to attend and vote at the Meeting. 'Qualifying Policyholders' for the purposes of this Meeting comprise any person who was a member of Scottish Equitable Life Assurance Society (the Society) and whose policy, having been transferred from the Society m Scottish Equitable pic, is still in force at the co concut of the Meeting.

Any queries in respect of the qualification of policyholders to altend and vote at the Meeting should be addressed to the Company Secretary (at the address specified below).

By Order of the Boats P R Grace Managing Director

LEGAL NOTICES

In the High Court of Justice

In the High Court of Justice

Chancery Division
In the master of GWR Group pic and in the
species of the Companies Act 1965

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was on the 17th day of May 1894 personned to Har Majusty's High Court of Justice for the canonization of the stars promises account of the constitution of the stare primaless account of the above-susued company.

AND NOTICE IS FUNCTHER GIVEN that the said Feitino is directed to be heard before life Registers Buckley at the Royal Courts of Justice, Stand, London WCZ on Wednesday for 6th the of Just 1994.

ANY Creditor or Shareholder of the said Company desiring to uppose the making of an Order for the cuscellation of share premises account should appear at the them of hearing in person or by Commel for the purpose. A cupy of the said Petition will be farmined to any such persons requiring the same by the underessited Soldciens on payments of the regulated charge for the same. regulated cinege for the same.

DATED this 30th day of May 1994
NICHOLSON GRAHAM & JONES

25-31 Moorgate Loodon SC2R 6AR

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FINANCIAL TIMES

MARKETS

THIS WEEK

Election euphoria is waning in Italy and the Milan equities market, which this year, has been falling

has far outperformed other leading European bourses steadily over the past two Those clever enough to have taken profits at the top will have locked in capital gains of

almost 30 per cent since January 1 in local currency terms and roughly 40 per cent in dollar terms. Even with the recent slide, the market stands some 20 per cent higher in Lira terms than at the turn of the year. So should investors sit tight in the hope of a raily, or lighten their Italian exposure in expectation of a further

Trans-European jitteriness apart, the main reason for the slide appears to have been profit-taking by foreign investors, and a growing realisation among domestic shareholders that the right-wing Berlusconi coalition has a fragile majority and could face difficulties in producing e united policy

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More technical factors also seem to have played a role. On a price/earnings basis the mar-ket looks highly valued, and it faces a series of heavy cash

calls, both from rights issues and the government's privatisation programme, with the insurer, set for June 27.

Italian market remains essentially intact. For all the Berlusconi administration's potential weaknesses, there is no serious

promising fiscal austerity. accelerated privatisation, a accelerated privatisation, a looser labour market and tax breaks for business, should give additional impetus to what is shaping up as a strong cyclical upswing in corporate profitability from 1985.

Equity prices should also be underpinned by falling fixed income yields, proyided the

income yields, provided the government fulfils its pledge to take firm action on the gargantuan budget deficit and inflation falls, as expected, below 4

tion may have some way to run. The market is likely to remain edgy, and the lira under pressure, until Berlusconi gives greater insight into his fiscal policies. The Comit

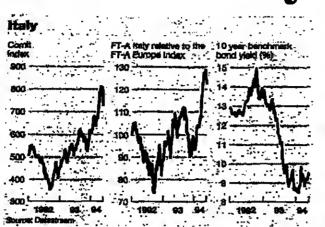
sale of Ina, the state-owned Investors may have been selling shares to raise their cash levels in preparation for Ins. and for tax payments which fall due around this time of year, suggests Mr John Stewart at InterEuropa in Milan. The bull case for the

political alternative.
Its free-market platform,

That said, the current correcindex, which tested support

Global Investor / Martin Dickson in New York

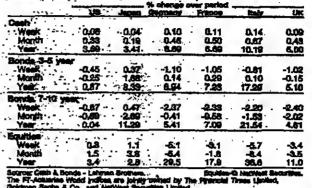
The fat lady has not sung



around 720 on Friday, could fall through 700 before finding solid ground, but could then present a good buying opportu-

Global telecoms A week today the Dutch Government will amounce the precise share price for the flota-tion of KPN, the state-owned group. With the prospective price/sarnings ratio expected to be around 12, and the yield about 4.5 per cent, the con vativaly priced issue should fare reasonably, provided the European market recovers its

But with a Good of other telecoms offerings in the pipeline, in both Europe and Asia, the Dutch flotation raises the question of how investors can Total return in local currency to 26/5/94



make comparative global valu-ations in the sector. AT&T, for example, is selling on a prospective p/a of around 16 and a dividend yield of 2.5, Rong Kong Telecom's p/e is 19 and its yield 3.4 and some Latin American and Asian carriers

have ples in the 20s. The most extreme disparities are due to the higher valuations the market places on companies which represent and currency risk, and the

quality of management. Two other, relatively new factors need increasingly to be entered into the valuation equation: the degree of local competition faced by the wire-line operator (high in the case of BT and AT&T, low for KPN) and the extent to which the company is involved in interactive multi-media. Both are likely to clip valuations - in the case of multi-media because of high initial capital

outlays and uncertain consumer demand. None of these factors are sufficient on their own to explain the wide spread of current valuations. For example, a recent study by Baring Securities found a very weak correlation between p/e valuations around the world and teledensity. But in an attempt to create e

more rational invastment framework, Barings has come up with e complex formula, factoring in potential expan-sion in GDP per capita and teledensity, which ranks the world's telecoms companies by growth opportunities over the

more plodding performance to be expected from the estab-lished "wireline" operators. next six years. Not surprisingly, lts top five Among the latter, differing (both mobila and wireline) are all in Asia : Dai Ni Denden, the measure to perceptions of national economic prospects, per capita wealth, teledensity (number of telephone lines rel-Jepanese mobile company: Japan's NTT; Hong Kong Tele com (on the assumption its territory will also embrace the

ative to population), political mainland China hinterland); Singapore Telecom and Korea Mobile.

However, many fund managers may be tempted to take the easy analytical course and use telecome stocks as a rough and ready proxy for a particular national stock market.

Cable companies

Tha US cable television industry has been down in the dumps this past week. Its annual conference in New Orleans was dominated by complaints about the Federal Communications Commission, which insisted in February that the industry cut the price of its basic service by 17 per cent - a ruling blamed for scuppering at least two much-vaunted takeover deals between cable companies and telephone operators.

But for shareholders there is a silver lining: the sharp fall in US cable stock over the past three months means they are very cheep. Ms Jessica Reif of Oppenheimer reckons that the largest US operator, Tele-Communications Inc, is trading at around 5 times 1994 operating cash flow, adjusted for debt and off-balance sheet assets.

At prices like this, the telenbone companies may come calling again - though probably on smaller players, rather than giants like TCI.

When politicians and opinion formers worry nomic trend, it is often a sign that something is about

to go right. This could be the case with Britain's laggard investment performance, which has long been of concern to the government and groups such as the Confederation of British

industry. Investment has so far played only a small part in the UK's two-year-old economic recovery. The picture of a consumer-led upturn was apparently confirmed by last week's news that manufacturing industry's capital expenditure fell in real terms by 1 per cent in the first quarter, compared with the final quarter of last year and the first quarter of 1993.

Recent CBI polls of manufacturers' investment intentions give little hint of strong growth to come. The April survey showed that the numer of companies planning to increase investment in plant and machinery exceeded those planning a decrease by only 4 percentage points. The CBI's latest economic forecast cau-tiously predicts en increase in manufacturing investment of just 2.7 per cent this year and

4 per cent next year.
But the chart shows that a subdued level of investment intentions among manufacturers is not unusual for this stage of tha business cycla. When the UK was at exactly the same point of recovery from the recession of the early 1980s, the balance of companies planning to raise spend-ing on plant and machinery

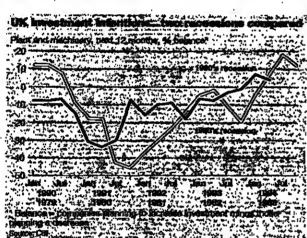
was also just 4 per cent. It turned out that April 1963 was the start of a two-phase ent boom. Central Statistical Offica figures show that the quarterly level of business investment grew by a strong inflation-adjusted 32 per cent between the second quarter of 1983 and the begin-ning of 1985. After a pause,

The World Index (2173)

FT-ACTUARIES WORLD INDICES

Economic Notebook

Investment hopes rise



the economy picked up again, after a hesitant start. so that in 1989 busin investment hit a record £71.25bn in 1990 prices and

was 72 per cent higher in real terms than in 1989. Capital expenditure by man-ufacturing industry – the type of investment surveyed by the CBI - only accounts for about a fifth of total business investment. It takes an even smaller share of overall UK gross fixed capital formation. This broadest measure of domestic investment, which includes some non-business investment some non-business investment such as housing, was up by 2.2 per cent in the first quarter of 1994 compared with final quar-ter of 1993 and was 3.4 per cent higher than in the first quarter of last year.

The idea that the UK could be heading for a period of robust investment has sup-porters in the City. Mr Leo

porters in the City. Mr Leo Doyle, UK economist at Kleinwort Benson Securities, believes that investment in Britain is sat to follow the US pattern of the past 12 months of strong growth

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interest rates has enabled

companies to repair balance sheets damaged by the reces-sion and build up liquidity, providing a good springboard for increased investment. With UK final demand moving into its third year of recovery, Mr Doyle thinks "everything is in place for a year of double digit bueiness investment

growth. Mr Kevin Gardiner, Morgan Stanley'e UK aconomist, believes that capital spending will gather pace this year and next and give the recovery an extra boost. Corporate profits, he says, held up well in the recession and will continue to grow so that rates of return are likely to return to levels

not seen since the 1960s."

Although Mr Eddie George the Governor of the Bank of England, last week told the Commons Tressury and Civil Service Committee that he was still concerned that UK companies were holding back from investments because

Financial Times Ltd., Goldman, Secine & Co. and NetWest Securities Ltd. in conjunction with the Institute of Actuaries and the Feculty of Actuaries

they were demanding too high a rate of return, Mr Gardiner thinks strong profits will mean that high "hurdle rates" may be less demanding than many observers fear.

However, Britain would not be Britain, if there were not some fly in the ointment.
James Capel'a UK economics team subscribes to the view that investment and manufacturing output will be increasingly important motors for the UK recovery over the next two years and believes that higher investment will eventually

strengthen Britain's exports. But, argues Capel's Mr Adrian Cooper, "Long term gain may imply some short term pain." Because Britain's investment goods industry is relatively weak, UK investment is very import intensive Imports account for nearly 34 per cent of UK spending on fixed investment, compared with only 21.5 per cent of con-sumer spending. Strong growth in domestic investment could therefore lead to a short-tarm increase in Britain's current account balance of payments deficit.

to think that a revival of investment will ease the UK's current account problems in the longer term. In the jargon of economists, the UK can look forward to a deepening rather than a widening of its

industrial base.

The recession of the early 1980s left Britain an insignificant competitor in several manufacturing sectors. While the UK has some world beating companies and areas of excellence – such as pharmaceuticals, processed food and jet engines - it relies mainly on foreign suppliers for many products, including machine tools, "white goods", such as refrigerators, kitchen furni-

ture, and mens' suits.
Even if business investment takes off over the rest of the 1990s, it is unlikely to provide the industries that Britain no longer has, leaving it to depend heavily on imported manufactured goods.

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Peter Norman

COMMODITY MARKET REPORT

Coffee takes a well-earned break

There is an enforced break today from the heat and hyste-ria that has held sway in commodity markets during the past few weeks. Public holidays in the UK and the US will give traders a chance for a breather, and the investment funds whose money has been mainly responsible for tha surge in commodity prices will

be given an opportunity to con-sider where they go from here. Traders and analysts are split about the immediate prospects for the star performer, coffee, whose July futures

price jumped on the London Commodities Exchange from \$1,100 a tonne in February to e seven year peak of \$2,348 last week, before falling back to close at \$2,004 on Friday. While most agree that coffee's rise is underpinned by a tightness in supplies. New York traders seem more confident than those in London that the price can find renewed strength this

pure plays in fast growing.

riskier and more lightly regu-lated telecommunication sec-

tors, notably cellular, and the

valuations are due in large

One event likely to take some heat out of the metals market is the Metal Bulletin copper conference, starting on

Wednesday in Vancouver, which usually attracts many of the world's top traders.

Copper bas been leading other metals up or down on the London Matal Exchange but attention this week will also focus on nickel because the present labour contracts at inco's metals complex at Sudbury, Ontario, end tomorrow.

Inco is the world's second-biggest nickel producer (after Norilsk in Russia) and Sudbury produces about 110,000 tonnes of the metal, mainly used in stainless and special

steels production. Inco's management delivered its proposals on Friday and unions and employees have been discussing them over the weekend. Some weeks ago a ballot gave union leaders a mandate to call

a strike. Tha market last week seemed to sense that there would be no industrial action as the three-month LME nickel price, which started with a rise of \$286.50 a tonne on Monday. fell steadily to close on Friday \$45 down compared with the



Ministry of Transport, Communications and Water Management, Republic of Hungary

Hill Samuel is advising the Hungarian Government on the tendering for the concession related to the M3/M30 Toll Motorway Project

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Consultant descripts during week ending 27/6/64. Share fraction change: U.A.F. (France) 0.05 to 1.0. Addition: Sectorbol & Y P PJ, Deletion: Sectorbol & B, C and D (Seighter).

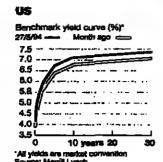
NEW YORK Richard Waters

Employment figures have developed a habit of spooking the Treasury market. A month ago, news of a 267,000 increase in non-farm payrolls for April wiped two points off the price of the 30-year bond. The bond had earlier tumbled one and a half points on news of a 456,000 increase in March (later

revised to 464,000). The memory of those routs will make the markets nervous ahead of the May figures, due out on Friday. Most economists are expecting an increase in non-farm payrolls of about 300,000, with the unemployment rate unchanged from the previous month at

6.4 per cent. Anything higher would rattle the markets afresh. Last Friday, first-quarter GDP growth was revised up to 3 per cent (most observers had been expecting a downwards revision, to 2.4 per cent). Faster-than-expected employment growth would imply a pick-up in consumer

spending, in turn leading to



higher GDP growth in the current quarter. It may be less than two weeks since the Federal Reserve appeared to put the market out of its misery with a half-point interest rate rise. but the bond market is already getting another bout of the jitters.

The National Association of Purchasing Management's May index, due on Wednesday will set the tone ahead of the

LONDON

With the trading week shortened by the Whitsun holiday, and few important nic statistics dne. analysts expect little scope

for a gilts revival this week The main influence, again, is likely to be overseas bond markets. Last week, gilts were hit by German bund market weakness and the strong US GDP number, this week, US non-farm payrolls and the purchasing managers' index may prove to be pitfalls.

cautious statements about further German interest rate cuts, the Bundesbank's repo reduction will also be closely watched. "Anything less than a six basis point cut will be bad for bonds," said Mr Sanjay Joshi, head of bond research at Daiwa Europe.

Figures for UK M0 in May are expected to show a sharp jump in the annual growth rate, to around 7.1 per cent in May from 6.2 per cent in April. While M0 is not a very

Philip Coggan

Benchmark yield curve (%)*

market, such strong growth will not help sentime In any case, economic fundamentals do not seem to be the major influence. "Ten-year gilts on a 8.5 per cent yield should be really attractive to institutions on fundamental grounds" said Mr Ian Shepherdson, UK economist at Midland Global Markets. "But recent losses limit their appetite for stock. Short-term sentiment is shot

FRANKFURT

The focus of the German government bond market this week will be the figures on new manufacturing orders and industrial output. Attention will also be directed towards the next government suction. expected to be of 10-year bunds, which is scheduled for

early June. After the Bundesbank was forced to call off its auction of four-year treasury bills last week due to lack of bids, analysts think this next sale will be a good test of the market's health. Most analysts reckon there will be enough demand for the auction to go ahead successfully.

Economic data will be scrutinised for signs of stronger economic growth, Mr Nigel Richardson, head of bond research at Yamaichi, thinks final figures for industrial output in March could show a marked upward revision in manufacturing output, which would set a more cautionary tone for the week

Some analysts say there is

schmark vield curve (%)*. 7.7

6.2 5.7 10 yrs 20

Graham Bowley

potential for further falls in German bonds amid continuing fears that short-term interest rates are not about to fall further.

However, Mr Peter Kerger head of futures and options at NatWest Markets in Frankfurt is more optimistic He was surprised bunds did not fall further than they did on the back of Friday's slide in US Treasuries, and says this bodes well for this week.

TOKYO

Japanese government bond yields continued to ease last week, and are expected to fall further this week, ignoring the turbulence that has dominated US and European bond markets.

Some observers are looking for Japanese 10-year bond yields to reach 3.5 per cent during the summer, compared with the current 3.73 per cent level, as domestic conditions remain favourable.

Amid strong rumours in

Japan that some short-term interest rates may soon be cut, economists say there is increasingly strong pressure being put on the Bank of Japan to ease monetary policy. They point to the favourable inflation outlook, sluggish monetary growth and non-existent bank lending. DKB International, part of Dai Ichi Kangyo Bank of Japan, said the authorities "may wish to lower rates in order to divert funds from cash

into the equity market as a

recovery in the Nikkei could

Japan Benchmark yield curve (%)" 4.8 ----3.8 2.8 S Years

provide an important boost

to confidence Bonds should be helped by a stable currency in the near term following the decision of the US and Japan to resume bilateral trade talks. Underlying confidence in the

dollar appears fragile. Official data released last week indicated continuing weak consumer demand, with department store and supermarket sales down 3.5 per cent year on year.

Capital & Credit / Conner Middelmann

Europe endures cycle of price pressures

It has been the same pattern for months now: each time Europe's bond merkets edge cautiously higher after a bout of weakness, they get battered hy another wave of selling pushing prices to new lows. Last week, European government bond markets were sublected to their latest pummel-

ing, with Germany leading the way. By Friday, the yield on the 10-year benchmark bund had vaulted to 6.87 per cent, from 6.47 per cent a week earlier. Europe's other markets havs been dragged down by the German sell-off, and stock markets have followed.

Early in the year, it was the IIS Fed's monetary tightening which prompted the sell-off in world bond markets. And while US Treasuries dragged European bonds lower, Europe managed to outperform the US during that period. Now, Europe is racked by its own worries, and is underperforming the US.

This puzzles many observers. who feel European bond markets are defying their bondpositiva fundamentals of declining inflation and slow economic growth, accompanied continued cuts in short-term interest rates.

The latest weve of selling was triggered by comments from Bundesbank president Mr Hans Tietmeyer which wera taken to mean that German. and hy extension European, interest rates don't have much further to fall. The futures market began pricing in mone-tary tightening as early as Dscember, with the threemonth Euromark contract discounting German three-month interest rates at 5.2 per cent by year-end, up from the current 5.05 per cent.

The Bundeshank's cancellation of its scheduled suction of four-year treasury bills on esday sent further shudders through the markets, raising fears that Bonn was heving problems finding takers for its massive deht programme. Moreover, some countries seem to be staging stronger-than-expected economic come-backs which, with rising commodity prices, have reinforced fears of a pick-up in inflation and higher interest rates.

of selling, shell-shocked investors have fled to the sidelines, holding most of their funds in short-term instruments which are protected against price swings at the long end of the

yield curve. "The psychology is incredi-hly weak - some people who used to he really confident players are now saying they're nervous, confused and unsure where to go," said Mr John Hall, head of European interest rate research at Swiss Bank Corporation. Banks' propri-etary trading desks and hedge funds heve also scaled down operations, shying sway from the volatility thet has been plagueing markets for months. However, many analysts feel the gloom has been overdone,

recovery, some expect s period of consolidation, interspersed with some trading rallies. Many still pin their hopes on the Bundesbank, which is expected to continue lowering its securities repurchase rate over the summer, even if it lsavas its official ratss igher inferest rates.

Battered by wave after wave unchanged. Indeed, Mr Tietmeyer on Friday clarified that

and while faw see e strong

his recent comments referred only to official rates, not the repo rate. "Money market rates must be free to move within the bands [set by the Lombard and discount rates] and thet naturally includes the rapo rate," he said. The discount rate stands at 4.5 per cent and

the repo rate is at 5.20 per cent. "Once people realise the Bundesbank is continuing to ease, thet could bring some life back into the market," says Mr Werner Krämer, bond strategist et DB Research in Frankfurt. But he warns any recovery is likely to be "gradual, with the danger of setbacks".

While Mr Kirit Shah, international strategist at First Chicago, feels the bearish trend remains intact, he recommends buying 10-year bunds as their yield approaches 7 per cent.
"This offers good support, and
there is a reasonable chance that yields will head back to 6½ per cent,"

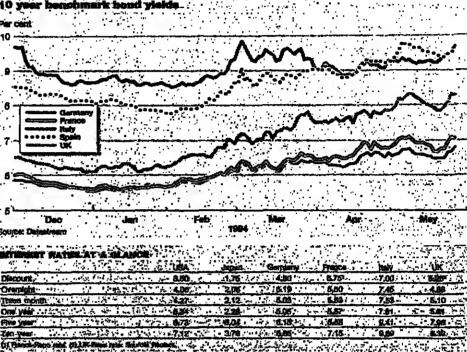
However, even if Europe returns to calmer waters as the Bundesbank continues its cautious easing policy, it will remain prone to transatiantic shocks - as last Friday of first-quarter US GDP sent Treasuries tumbling, dragging Europe sharply lower.

"Europe is still very much tracking the US, where monetary policy is still not seen to be in neutral," says Ms Alison Cottrell, international economist at Midland Global Mar-

With most European coun tries having to fund hefty budget deficits, supply pressures also won't help markets. "The auctions schedules will remain burdensome in the absence of stronger investor participation, and supply will exert further upward pressure on real yields in an environment of economic recovery and reductions in liquidity," says Mr Kit Juckes, international economist at SG

In the current environment Mr Hall at SBC suggests buying two- to three-year German deht which, he says, "still offers very, very good value" after the recent sell-off at the short end. For medium-term investors,

he recommends buying bunds around current levels.



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International / Peter John

Big borrowers ride out turbulence

eurobond market, hell is something other people go through. Investors and banks might bs running scared, but tha large companies and countries which raise funds in the mar-

ket claim to have weathered the recent bond market storm and fulfilled their requirements, at least for now. Merrill Lynch shows in its most recent statistics for surobond issuance that in February, March and April this year, \$75.5hn of debt was launched, a figure sharply below last year's \$104.7hn but wall up on previ-

And floating-rate note (FRN) issuance, the attractive choice in e climate of rising interest rates, is higher than at any

time in the past six years.

The world's biggest borrowers all claim to be up to date in their funding programmes this Mr Veikko Kantola, Fin-

land's director of finance, says: "We have already raised \$4.5bn of a proposed \$5bn to \$7km." Officiels at the Swedish ational debt office say twothirds of the country's \$10bn

annual borrowing programme has been fulfilled. Ahbey National, the UK bank, says it doesn't have annual quotas, hut is "very comfortable" with its funding

Mr Jean-Claude Bresson. deputy manager of capital

marksts st the European Investment Bank, shrugs off any suggestion of s funding

Issuers may be sitting pretty, but for the syndicate managers who launch the deals, it is a different story. Privately, and in relation to offerings from rivals, they say deals are being priced too aggressively as banks fight for business. They add that large amounts of new eurobonds are returning to the

underwriters. One way to track the performance of a eurobond issue is through the yield spread at which it is priced over the relevant government bond. A rising spread suggests more sup-ply than demand.

Among the first to take advantage of the seemingly more stable environment provided by the Fad rate rise almost a fortnight ago was the Republic of Finland, which offered FFr6bn of debt priced to yield 32 basis points above 10-year French government bonds. The issue has widened to yield 35 basis points over on

A similar deal for the Kingdom of Spain saw the yield spread widen to 30 basis points from 24 hasis points et the. launch a week ago. Mr Thomas Keller, assistant director to the treasury at Ger-

compisted about half of its funding, says syndicate manag-

ers have found themselves at the mercy of a volatile market. "Many bookrunners have so many bonds that they don't have the flexibility to calm the merkets. Every time the mar-

kst goes up they sell into strength to unwind their portfolio and it goes down again," he says. The amount of dsbt on underwriters' books, fuelled by over-enthusiastic buying dur-ing last year's bull market, is difficult to quantify. However, the costs of carrying these bonds have increased because of the collapse in bond prices this year. in addition, the huy-

made it virtually impossible to get rid of the bonds. Kidder Psahody, the US investment bank, estimates that in early April some \$8n of FRNs were unsold. It says the figure might have fallen to between \$3bn and \$4bn, but that the overhang is still

ers' strike among investors has

depressing prices.

Mr Tim Skeet, at Kidder's capital markets desk, says those with big positions to unwind will suffer whatever happens in the markets. "Whether the market falls further or simply moves sideways, syndicates will have to start vorrying about their costs and put greater emphasis on inven-tory turnover."

Mr Jonathan Nicholls of

Abbey National's treasury

department agrees. "There is a

lot of inventory out there. I would not be considering issuing a large transaction at this

time," he says. The exceptionally high volatility in bond markets has left investors bruised and con-fused. With no clear idea of the direction the markets are taking, they prefer to be in a more heavily-traded arena such as government bonds, which can be offloaded more quickly than

the less liquid eurobonds. So who is buying? Eurobond salesmen pimpoint Swiss retail investors and wealthy individuals who have been attracted by the relatively high yield on rt-dated dollar-denor

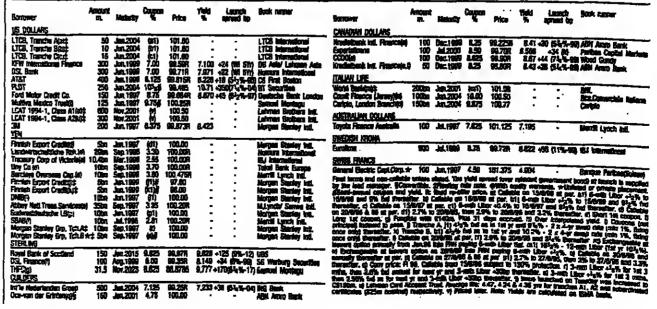
However, insurance companies and pension groups, which are traditionally drawn to longer-dated maturities, are keeping a low profile.
What buyers there are in the

market are also being mora selective; choosing to invest only in bonds issued by highlyrated or well-known names. And as Mr Roger Gray, head of fixed income and currency at Rothschild Asset Management points out: The highest quality issuers tend to be able to

issue in any circumstance."

However, if the sticky conditions continue, the investors who are there will fall by the wayside and borrowers might find that their funding programmas and confidence fall off with them.

YEW	INTERNAT	TONAL.	BOND	ISSUES



NEW YORK

Data deluge will set tone for summer

in the US, the Memorial Day weekend traditionally marks the beginning of silly season. As Wall Street gets back to work tomorrow after the three-day holiday, investors will face an avalanche of economic reports which could set the tone for the summer months.

Tuesday will bring news of personal income, consumer spending and new homes sales during April. The flow of data will intensify the next day. when the National Association of Purchasing Management will release its monthly survey of business activity. It will culminate with the Commerce:Department's report on

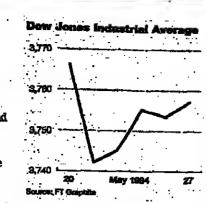
May employment, due out Friday.

The optimistic scenario sees stocks holding up well, even if the bond market slips further. The leading indices could show modest improvement if the data confirm expectations that the economy slowed

slightly in May. I think we are in a phase in which most of the monthly numbers will remain subdued," says Mr James Solloway, head of equity research at Argus in New York, whos estimates are generally below those

of his colleagues. If there are surprises, however, share prices could suffer a setback in sympathy with bonds. "We are faced with a bond market which still on the defensive," Mr Solloway says. "It will stay that way until it becor clear that monetary policy is tight

enough to slow the economy. If the NAPM index comes in at 60 or better, against a consensus forecast of 57, or if the gain in non-farm payrolls exceeds 300,000, against an expected rise of 285,000, the season may prove to be more sombre than silly. The next move by the Federal Reserve to tighter



Frank McGurty

money would then loom larger.

A fortnight ago, the Fed seemed to suggest it would hold off further interest rate increases until autumo However, then it had not made any es, a point underscored on Friday by Alan Greenspan in testimony before Congress. The chairman did not spell out the Fed's intentions, but he stressed that "uncertainties regarding the economy

His remarks left the bond market, already riding out a big bump caused by the Commerce Department's upward revision of its first-quarter Gross domestic product, on even shakier footing going into this week. However, Mr Joseph McAlinden.

director of research at Dillon Read in New York, believes stocks will hold steady despite the data barrage. "The markets may enter a temporary period of calm," ha writes in his May advisory. He argues that none of the reports this week will shed light on the impact of the Fed's series of four policy tightening. He says the effect of tighter money on the economy will not show up until at least July. However, the analyst remains

bearish. Ha characterises his lazy summertime scenario as the "eye of the burricane", a period of calm in the middle of a two-phase market correction. "We continue to believe that the second leg will kick in when the end-of-the summer inflation reports come in worst than expected."

Percentage Change
Over Ort 2 Since

LONDON

Collapse puts chartists back in limelight

The equity chartists are back in the limelight as the community of stock market analysts struggles to find its footing again after last week's collapse swept away many of the signposts. The fall of the Footsie to 3,150 was significant; the threat of 3,015 was very worrying. Are we heading for 2,910, and how seriously should we take the chartists warnings that the next serious support levels are around 2,850 or

The downside argument, marshalled by Mr Nicholas Knight of Nomura Research – who has long seen the market at 2,800 - is that the failure of last week's bund suction pinpoints the probability that yields have further to rise, in the UK as well as in continental Europe. He says that rising interest rates are sinking investors' perceptions of equity valuation - "therefore, the narket is not getting any cheaper On the other hand, at Footsie 2,850 the equity yield would be around

inflation, and the yield ratio at levels last seen before the economic Mr Ian Harnett at Strauss Turnbull, for one, finds this "an unlikely scenario". A more likely outcome, he believes, is a rising yield relative as economic growth continues, and a more stable valuation of UK

150 basis points above expected

None of this gave the market any protection as the stock index future contract on the Footsie plunged below 3,000. This happened several times last week - three times in one session, in fact - before the line was finally abandoned in a hurry on Friday afternoon. Given the importance of the future contract as a mechanism for portfolio

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357 - 10.1 3.978.96 31/164 3,446.93 6/7/93 3,978.36 31/1/64 8,683.05 4/4/64

104 11103 21.148.11 13/9/93 16.078.71 29/11/93 20.777.16 22/6/94 17:38974 4/154

7.810 56 2.27111 16/5/94 1.619.89 1/6/93 2.27111 16/5/94 2.02033 2/9/64

FT-SE-A All-Share 1,360

1,500

20

Source: FT Graphile

rebalancing, the headlong retreat from the Footsie 3,000 mark is distinctly worrying.

The sudden upset in equities underlines the wisdom of fund managers chasing the utility stocks over the past fortnight. Water stocks have outperformed by about 5.5 per cent. BZW believes the yield attraction will continue to score with investors as long as the overall equity background remains so difficult, although possible regulatory questions will resurface when the

market concerns are resolved. Consumer stocks continue to lose supporters, as price competition and sluggish personal spending undermine optimism. The market reception for Marks and Spencer's trading statement was cool.

The engineering vehicle sector was identified early as an area primed to benefit from economic recovery, but has underperformed by around 4 per cent recently. Smith New Court comments that the European car market, after a promising opening to the reporting season, is now showing little sign of overall

Lucas Industries, with a large exposure to the continental European car industry, may prove to be late in the recovery cycle, thinks Smith, although its grip on around one third of both Europe's foundation brake and diesel car systems markets augur well for 1995 and 1996.

OTHER MARKETS

ZURICH

Sandoz holds an analysts meeting in London on Thursday and, says NatWest Securities, is likely to present last week's acquisition of Gerber as part of a strategic refocusing which emphasises food and pharmaceuticals as core company to hint at further acquisitions in these sectors and divestments in non-core areas. it says that while this is likely to be well received by the market, it remains cautious following the Gerber acquisition, which brings with it little apparent synergy with the existing nutrition

Roche, whose certificates came under pressure after its acquisition of Syntex, has its annual general meeting tomorrow.In the insurance sector, Winterthur holds its annual news conterence on

already-ennounced results tomorrow. and Zurich Insurance's annual news conference takes place on Wednesday.

amsterdam

First-quarter figures come from ING and KLM on Thursday. Houre Govett forecasts net attributable profit from ING up 11 per cent to F1 400m (\$217.4m), with profit improvements coming in all lines. Results will also benefit from the absence of losses at Orion and NRG, which were still consolidated in the first quarter of

Hoare Govett expects KLM's growth in operating income to be much higher than growth in operating costs, and therefore estimates an operating loss of Fi 128m against one of Fi 266m in the same period of last

STOCKHOLM

The privatisation of Pharmacia, expected to raise SKr13hn (\$1.7hn), begins on Wednesday with domestic investors being offered 40m shares, with a further 32m earmarked for foreign investors.

Four-month figures come from Saga Petroleum on Monday. Unibank forecasts turnover down to SKr1.88bn from SKr1.92bn, and net profits of SKr205m, after SKr209m last

TOKYO

Last week's rally of large capital steels and heavy industry stocks suggests that liquidity in the stock market is increasing. However, many corporate and financial investors are looking to sell holdings around the 20,800 to 20,900 level. So, while activity may increase, a sharp rise to prices is unlikely.

RISK AND REWARD

Fresh challenge for users of derivatives



world's bank and financial regulators are making heroic effort to adapt to the posed by inter-

est rate, foreign exchange and equity derivatives, the world's bank-ers and broker-dealers are in the process of taking high-tech risk management to another

Derivatives, particularly the plain-vanilla type of interest rate swaps and options that help mitigate market risk. have become standard tools of treasury management. Once viewed as exotic, they have achieved widesprand accep-tance, a point underscored last week when Mr Alan Green span, chairman of the US Federal Reserve, asked Congress not to single out derivetives

for regulatory reform. Now, financiers are taking the applications of options and derivatives technology they've used to harness interest rate risk and applying them to to another broad area of institutional exposure: credit risk.

Managing credit risk has long been the purview of bankers and provided the bread and butter of credit rating agen-cies. Transfering, or trading the credit risks of a particular instrument or portfolio has, until recently, been difficult or impossible. Managing credit risk required a banker to deal directly with the the cash

instrument in question. Now, derivatives experts say transferring credit risk can be as easy as transferring interest rste risk, using tailored instruments written by the likes of Merrill Lynch, Bankers Trust and Credit Suisse First Boston. As with interest rate derivatives, these credit risk transfer instruments break down the various aspects of credit risk, repackage them, and make them available for an offsetting

If a banker has exposure to senior corporate loans with rel-atively high yield and high

credit risk, Merrill Lynch might offer a choice of three derivatives strategies to man-age that risk, says Mr Joseph Arigilagos, head of the firm's investor strategies and credit derivatives group. "We might write a put option on the price of the debt, or an option on the credit spread between the yield on the loans and a Treasury instrument. It's even possible we could write options on the default risk of the loans," he

The options would insulate the banker if the credit risk of the loans rose, while still allowing him to keep the loans and collect the higher yield. Having written the specialised options, Merrill Lynch would reach into its global network of corporate credit dealings and perform trades that would offset its exposure to the deal.

These strategies and others are being used to manage credit risks for LDC loans, lowgrade bank loans, and junk bond portfolios. As do other derivatives, credit derivatives increase leveraged exposure, in this case to high-yielding debt. The strategies assume that for every person or company that has a natural credit exposure to be managed, there is another party willing to assume that credit risk in

return for higher yield.
The year-old move into credit derivatives has hardly been a calvary charge, but the bankers who are enthusiastically backing the new products predict that the credit-risk management business could boom into a \$1,000bn market in a matter of years. Some of their early attempts at credit derivatives marketing backfired when an early strategy repackaging low-grade debt into trust securities that were raissued as top-rated but highyielding bonds - ran afoul of Standard and Poor's. The credit ratings agency insisted the rating of the credit deriva-tive be linked to the ratings of the component junk bonds, and not to the rating of the

Laurie Morse

EMERGING MARKETS: This Week

The Emerging Investor / Tony Walker in Beijing

58 1951 - 17.9 817.17 10/5/94 508:01 16/6/98 917.17 10/5/94 588:95 10/6/98

2050.67 1.49 477 9.6 2,355.98 2/2/94 1,850.69 4/6/98 2,855.93 2/2/94 2,850.6K 27/5/94

Locals bedevilled by outside distractions

Last Friday offered distinct contrasts in sentiment on China's fledgling stock markets after President Clinton announced the renewal of China's privileged trade access to the US market.

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In Shanghai, particularly, but also in Shenzen, B shares denominated in US and Hong Kong dollars for foreign ownership recovered strongly as the indices of A shares for local investors finished down in lacklustre trading.

After bottoming in April, Shanghai Bs rallied this month, in line with performance elsewhere in the Pacific Basin, excluding Japan. Most Favoured Nation renewal took them ahead of the pack on Friday, with a gain of 4.7 per cent, Shenzen rising 2.6 per cent in thin trading.

However, local observers are not impressed. They note that the latest rally, which took Shanghai B shares up 12.5 per cent last week, was fuelled partly by the entry of Japanese investors into the market; but also that it follows a period of severe underperformance, with a preceding fall of 40 per cent this year.

Their scepticism is based on the poor performance of A shares, in which the bulk of trading is conducted and which have lost more than two thirds of their value since their highs in early 1993.

investors, who had besieged the markets when trading began several years ago, have

Ten best performing stocks							
Stack	Country	27/5/94 \$ close	Week on wee	k change %			
Migros	Turkey	14,0673	3.9407	38.91			
Brisa .	Turkey	0.0788	0.0184	30.56			
Alarko Holding	Turkey	0.6116	0.1276	26,37			
Companhia Vale do Rio Doce	Brazil	0.0944	0.0170	22.02			
Semen Cibinong	Indonesia	3.6964	0.6453	21.15			
Cla Souza Cruz Industria	Brazil	5.2065	0.7405	16.58			
Cia Petroleos de Chile	Chile	3,4609	0.4706	15.74			
Companhia Suzano (pref)	Brazi	3,5791	0.4619	14.82			
Grupo Industrial Bimbo	Mexico	8.9124	1.0589	13.48			
First Philippine Holding	Philipp.	3.9703	0.4648	13.26			

for bonds, currencies and futures - although the latter form of investment has hit a rocky patch under the weight of tighter government regula-

explanation for what is now a protracted downturn - the slide became a rout in the second half of last year blame delays in the promulgation of a national securities law for the collapse of

Among these is the psychology of the market. Inexperienced investors, starved of investment opportunities for so many years, plunged into equi-

been deserting stocks in droves potential.

Market managers seeking an

But while it is true that slow progress towards formulating a National Securities law, now in its ninth draft, has harmed confidence, there would seem to be other more telling fac-

ties (Shanghai opened in December, 1990 and Shenzen in

July, 1991) without due regard for the quality of the stocks offered, or their earnings Because of the limited num-

ber on offer, shares also enjoyed a scarcity value way out of proportion to likely returns. Inevitably, stock market fever cooled after the initial burst of enthusiasm. leaving a long trail of casual-

Indeed, hard-luck stock trading stories have become stan-dard fare in the Chinese press. Some read like soap-opera scenes, with a surfeit of unhapping endings - including sui-

In one case, which captured particular attention, a wife sued successfully a securities company for her husband's sui-cide. The hapless stock trader had jumped to his death after losing millions in margin

The authorities, sensing that

ties is harming a key element reported last week that securiof their market reforms, have sought recently to bolster the markets, but this is likely to be e slow and complex process.

Measures announced earlier this month included an effective freeze until next year on new stock listings and the requirement that companies seeking listings be obliged to undergo "six-month-long coaching by relevant departments.

China had planned to issue some Yuan5.5bn (US\$634m) of A shares in 1994, a similar figure to last year. But this target clearly has been abandoned. The freeze on A share listings will not affect B shares. The authorities are committed to adding further listings to the 42 traded on the Shanghai and

Shenzen bourses China's official Business Weekly yesterday quoted an official of China Securities Regulatory Commission in Beijing as saying that, in an effort to lift the market, larger enter-prises in energy, communications, transportation and rail-ways would be considered for B share listings.

The authorities are also seeking to crack down on stock market abuses such as widespread insider trading and wilful peddling of misleading information. Exacerbating the problem is the fact that companies and brokerage houses are all state-owned.

The China Securities News, a

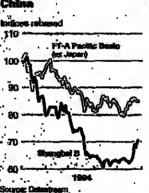
ties regulators and police were joining forces to stamp out market manipulation and fraud by securities company officials, company directors and even by stock market regplators themselves.

Misuse of public funds in an evolving system where distinctions between public and pri-vate are often blurred is a considerable problem. In Shanghai in the first quarter of this year. the authorities reported 49 cases of stock-market speculation, involving public money of

Yuan91.11m. Another factor bedevilling China's markets has almost certainly been the focus in the past year or so on listings abroad. Nine mainland companies were cleared for listing in Hong Kong last year, and another 22 are under consideration for primary listings abroad this year - both in Hong Kong and on other inges, such as New York

and London. Foreign investors, including proliferating China funds, have tended to favour these opportunities above those on the mainland, partly because of greater confidence in the regulatory regimes of offshore exchanges and the discipline required of Chinese companies seeking listings abroad.

All of this is proving an immense challenge for China's hard-pressed stock-market reg-The authorities, sensing that The China Securities News, a ulators, who are responsible crumbling confidence in equi-Shanghai-based publication, for guiding what is largely an



experimental market to matu-

With limited staff and resources, officials of the China Securities Regulatory Commission are being oblige to oversee a highly complex process that is far from immune to political interference. Not least of their problems is the artificial distinction between A and B shares. Ideally, the distinction should be removed, but this

does not seem possible until the yean becomes freely convertible, and that process may taken up to five years. In the meantime, another option might be to allow local



Thailand

The Stock Exchange of Thailand has agreed to lower the entry fee for four new brokerage seats from Bt350m (\$14m) to Bt305m, following vigorous complaints from the market watchdog, the Securities and Exchange Commission, and Thailand's 37 subbrokers sprites William Barnes The revised fees are still much higher than the Bt200m

suggested by the Commission, which has the power to insist that the charge be cut again. The \$12m entry fee is one of the most expensive in the world: Tokyo, for example, charges \$9.5m, while Hong Kong and New York extract only a 10th of what Thailand's 40 full members expect to squeeze from newcomers.

This is only a cosmetic reduction - the fee is still far too much. It makes the members of the exchange look very cynical," said Mr Korn Chati-kavanij, managing director of Jardine Fleming Thanakom

five years; critics argue the members are trying to protect their higher commissions.

The SET has also signally failed to address the request of Mr Tarrin Nimmanahaeminda the finance minister, that it comes up with a sensible and explicit policy on admitting new members. The exchange says it will edmit only four new members in two months time and merely review the situation every two years.

Three sub-brokers are strongly tipped for full memberships: JF Thanakom Securities, Ekachart Finance & Securities. and Nithipat Capital.

Taiwan

Mr Samuel Shieh, the central bank governor, denied a televi-sion report that the central bank had bowed to political pressure and agreed to raise the celling for foreign investment in the island's stock market from \$7.5bn to \$20bn. Taiwan raised the ceiling

from \$5bn in March. Foreign institutions have been allowed to invest directly in Taiwan since early 1991.

 Emerging markets coverage appears daily on the World Stock Markets page.

CURRENCY MARKETS

The dollar will again be the focus of attention when traders return to their desks tomorrow, with central bank activity and US labour data likely to be

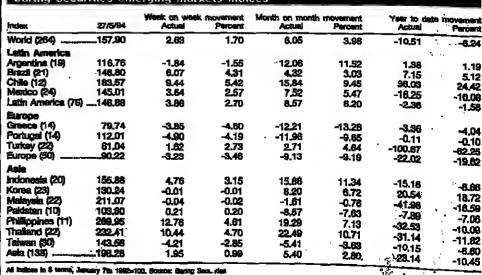
bunk comments from senior isumestable of chicals left the impression that the pace of German interest rate reduction was likely to slow.

The Hans Tietmeyer, president of the hindesbank, has since said that he was interested to the hindesbank has since said that he was

Cheely watched.
The main fecus, however, will be the release of US economic data - particularly the labour market statistics on

the escudo will be in the firing line again, while the Bank of Greece's inten-tion to lower interest rates could put the drachma under renewed pressure.

foreign curry is the lost certain a the A sh	renase B so rrency, but at this we ly further de are market. regulators to solces.	the kers here the fer the mere the ex	coping for the exchanges are need tarket and pected gro	or the sub-or a seat. e officials saded to develous are based owth in the voover the next
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US data and Buba hold key to dollar Lette America Argentina (19) Brazil (21) Chile (12) Mexico (24) tion was still very low, at only 0.8 per Whether shifting interest rates will be sufficient to support the dollar must be doubtful. The currency has failed recently to benefit from interest rate cent in the year to April. Whether shifting interest Latin America Sceptics are still predicting a softer dollar. Swiss Bank Corporation, in its latest currency commentary, recomrates will be sufficient to support the dollar must feremost in their thoughts. The dollar took a tumble last week differentials moving substantially in its mends clients to "sell US dollars for a Turkey (22) Europe (50) renewed test of the historic lows." SBC be doubtful thes comments from senior Bundes-In the short term the dollar is more says a rally to Y108-7 will not arrest the likely to be led by developments in downward trend that will take the dol-Indonesia (20) Japan. The announcement last week lar to Y98-96. Korea (23) Malaysia (22) Pakistan (10) Philippines (11) in Europe attention will revert to the that US-Japan trade talks would resume Friday - but also the purchasing managers' index on Wednesday. Mr Paul Chertkow, head of global curshould have been dollar positive, but its drachma and the escudo, both of which effect was evident for less than 24 have been under selling pressure terring to official rates, so the reporency research at UBS in London, said recently. Traders are predicting that Thalland (22) that if the data supports the belief that A possible wild card would be a lowgrowth in the current quarter is going to be above 4 per cent, then the market will start speculating about another will start speculating about another

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MONDAY

Franco-German summit

A two-day Franco-German summit begins in Mulhouse, France, between President François Mitterrand and Chancellor Helmut Kohl. They are expected to commit themselves to a common European Union programme for their consecutive presidencies over the next 12 months, beginning with the German term in July. Job creation, opening the market to eastern Europe, and making the Maastricht treaty work are key themes. They must also agree on a favoured candidate for the future presidency of the European Commission, to be finalised at the EU summit

Mad cow fever: European Union agriculture ministers meet in Brussels today and tomorrow to discuss farm prices and how to respond to German pressure to ban all imports of British beef because of the risk of BSE, or mad cow disease

Crimea: An ultimatum from Ukrainian president Leonid Kravchuk (below) for the Crimean parliament to reverse its virtual declaration of independence runs out today.



the parliament decided to adopt a separate constitution for the peninsula. whose population is more than two-thirds Russian and which was part of Russia until 1954. The

move was regarded as a prelude to Ukraine has moved in national guardsmen and armoured personnel

carriers, but has also opened a dialogue with Crimea's parliamentarians and sworn to eschew violence. East Timor is the subject of a

conference being held in Manila, capl-tal of the Philippines (to June 4). The meeting, organised by private groups, is to debate Indonesia's 1976 annexation of the former Portuguese colony and alleged human-rights abuses on the

Telecoms ministers from the European Union meet in Brussels to discuss among other things trans-European data highways, and a discussion paper on mobile telephones.

Croatian currency: Croatia is from today, Croatian Statehood Day, reviving the kuna, the currency used by the Nazi puppet Ustashe regime of the second world war. The kuna, which is replacing the Croatian dinar introduced at independence in 1991, will be pegged to the D-Mark at the rate of 4 kimas to 1 D-Mark.

Holidays: UK (Spring Bank Hohday), US (Memorial Day); Congress is in recess all week.

TUESDAY

Bank of Italy annual report

Antonio Fazio (below), the governor of the Bank of Italy, presents his annual report on the economic and financial state of the country. Mr Fazio's



his second in office, is keenly awaited as the key indicator of how the bank assesses the policy options of the Berlusconi government.

statement.

The report will also be read for any hint that the bank might fear political interference from a government which does not necessarily see eye to eye with Mr Fazio and his team.

Algeria meets its chief western creditors in Paris to discuss the terms under which it will reschedule that part of its \$14.5bn foreign deht owed to foreign governments

Germany's leading industry association, the Bimdesverband der Deutschen Industrie, will consider the outlook for German industry at its annual assembly in Bonn. Chancel-lor Helmut Kohl and other leading politicians will address the gathering.

Guatemala talks: Representatives of the Guatemalan government and guerrillas meet in Oslo for peace talks (to June 4).

UK economy: The release of May's narrow money supply figures is likely to fuel debate about inflationary pressures in the UK economy. The market predicts that M0, which largely measures notes and coins in circulation, grew by 7.1 per cent in May, measured year on year, compared to 6.2 per cent in April.

Government officials point out this rise partly reflects strong retail sales and low interest rates. But with M0 growth running well above the government's target range of 0-4 per cent, a large monthly jump will intensify speculation about future monetary tightening.

Non-Aligned Movement: Foreign ministers of the Non-Aligned Movement gather in Egypt for a meeting expected to focus on the fighting in Bosnia and Rwanda and to set out plans to tackle the economic problems of developing nations. The ministers are likely to decide on whether to grant official guest status to Russia. Belgrade has heen excluded from the meeting.

Light up at your peril: Today is World No Tobacco Day.

FT Surveys: German Banking and Finance and The Computer Industry: The Battle for the Desktop.

Holidays: South Africa (Republic

WEDNESDAY

UN names pleasantest land

The United Nations Development Programme publishes its fifth annual Human Development Report, which aims to measure quality of life rather than simply economic growth. Its core is the Human Development Index. ranking 173 countries by a measure that combines life expectancy, educational standards and basic purchasing power. Canada is expected to be ranked

Its appearance is timed to coincide with the start of the United Nations Conference on Trade and Developmen: at the World Bank headquarters in Washington, DC.

German economy: With the markets increasingly pessimistic ebout the chance of a further interest rate cut from the Bundesbank, April's output figures are likely to be watched for signs of the recession bottoming out. The markets expect to see industrial production up 0.4 per cent in April, after falling 0.8 per cent in March. Although a recent survey showed German husiness confidence had also risen in April, many analysts remain doubtful about the strength of any pick-up.

George Walker, former chairman and chief executive of Brent Walker, the heavily indehted leisure and property group, and Wilfred Aquiling, former group finance director, go on trial at Southwark Crown Court, south-east London, charged with conspiracy, theft of £12.5m from the company and false accounting.

Euro poll:



Europeans have become increasingly amhivalent not to say Eurosceptical - about the goal of political and monetary union enshrined in the Maastricht

treaty. Just over a week before the elections for the European parliament on June 9 and 12, an FT opinion poll across all 12 EU countries provides a wide-ranging survey of Europeans' feelings and forecasts about the future of the conti-nent. The poll, carried out in association with seven other European newspapers, throws light on divergences in European attitudes on the widening and deepening of the EU.

Bill Clinton leaves Washington for his second European trip of the year, pegged to the D-Day commemorations but with room for political husiness on the side. His first stop will be Italy. Racing: The Derby is run at Epsom. south of London.

Holidays: Kenya (Madaraka Day).

Statistics to be released this week

- ECONOMIC DIARY.

THURSDAY

Bosnia factions at UN talks

Serh, Croat and Moslem leaders meet in Geneva for talks on a comprehensive ceasefire in Bosnia (to June 3). It is understood that the warring factions could be prepared to sign a four-month. Bosnia wide ceasefire. This would be likely to entail interposing UN troops between the combatants, the creation of a huffer zone and withdrawal of heavy weapons. Last week, Bosnian Serb forces agreed to allow UN observers to patrol freely in the heavy weapons exclusion zone around the Moslem town of Gorazde in eastern Bosnia.

Chambers of Commerce: About 500 executives gather in Birmingham for the British Chambers of Commerce annual conference (to June 3).



pean and economic policy. Speakers include foreign secretary Douglas Hurd and secretary of state for trade and

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Education: John Patten, UK education secretary, risks humiliation when he addresses the annual conference of the National Association of Head Teachers at Eastbourne today. Last year, he was booed, hissed and beckled at the conference, which coincided with the height of the controversy over national curriculum tests. A year later, there are signs of increasing anger among heads over new requirements for teaching religious education, while the indications are that only marginally more tests were taken in secondary schools this year.

industry Michael Heseltine (above).

Children's rights: Romanian government hosts a conference in Bucharest with UN and Save the Children.

india: hank staff plan two-day strike. FT Surveys: Belgium and Foreign



Belgium's political and business leaders are regaining their confidence after a year in which the prime objective was to ride try's worst recession for 60 years.

Cricket: England plays New Zealand in the first Test at Trent Bridge (to Holidays: Austria, Brazil, Chile, parts

of Germany, Portugal (Corpus Christi).



June 4 is the fifth anniversary of the Tiananmen massacre

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FRIDAY

FDP annual conference

Germany's ailing Free Democratic Party gathers in Rostock, on the Baltic coast, where Klaus Kinkel, party leader and foreign minister, will try to revive his troops. The party is in danger of failing to win any seats in the European elections on June 12, and ending up too weak in October's general election to perform its traditional role of king-maker in the ruling coalition.

World Environment Day sees the UK hosting a conference on the United Nations environment programme at the Queen Elizabeth II Conference Centre in London. The Global 500 environmental awards will be presented.

Lloyd Bentsen, US Treasury secretary will deliver "a major policy speech" at a lunch hosted by the Confederation of British Industry in London. It will touch on world trade, for eign investment in the US and current US economic policy.

D-Day anniversary: US president Bill Clinton in Italy to meet the Berlusconi government and Pope John Paul, and attend commemorations of the Anzio and Nettuno allied landings during the second world war.

4-5

WEEKEND

OAS general assembly

The 34 members of the Organisation of American States gather on Sunday in the northern Brazilian city of Belem (to June 10). On the agenda are democracy and human rights, environmental issues, drugs and the region's economy.

Inhuman rites: A protest March leaves Oxford on Saturday for nearby Campsfield detention centre, where would-be immigrants can be held indefinitely while it is decided whether they have a right to enter the UK.

Motor racing: Isle of Man Tourist Trophy races start (to June 10).

Rugby: England play South Africa in the first test in Pretoria on Saturday.

The Royal Academy of Art's summer exhibition opens (to Aug 14).

n visits the UK. On Saturday, he visits a US military cemetery in Cambridge, then lunches at Chequers with John Major, before a state banquet hosted by the Queen. On Sunday, the US president reviews the D-Day flotilla from the Royal Yacht.

Compiled by Patrick Stiles and Ian Holdsworth. Fax: (+44) (0)71 873 3194.

Other economic news

Tuesday: With the dollar still weak, attention will focus on this week's spate of US industrial and monetary data. Figures published today are expec-ted to show a slight drop in personal consumption in April, hut little change in consumer confidence in May. Wednesday: In the UK, the

purchasing managers' index is likely to provide further evidence of recovery. Last month, it rose to its highest level ever. Another strong figure would suggest the pick-up in manufacturing continued into May. Thursday: Speculation about French interest rates will be

raised when the Bank of France holds its council meeting. Although the Bundesbank's failure to cut rates last week suggests that the French authorities will also sit tight, some analysts believe a small monetary easing of around 10 basis points, is possible.

Friday: A flood of US data will shed further light on the strength of the US recovery. The May non-farm payroll is expected to show a small rise, with a larger rise in the manufacturing pay roll. But home completion and car sales figures are expected to remain

Day Released	Country	Statistic	Median Forecest	Actual Actual
Mon	Јарап	Apr industrial production:	-2.5%	4.6%
Мау 30	Japan	Apr shipments†	-	4.8%
Tue	Japan	Apr unemployment rate	2.9%	2.9%
May 31	Japan	Apr job offers to seekers ratio	0.65	0.66
	Japan	Mar coincident index	90.0%	40.0%
	Japan	Mar leading diffusion index	90.9%	45.0%
	Japan	Apr construction orders**	-	-15.0%
	Japan	Apr housing starts**	6.2%	-0.7%
	Јарел	Apr construction starts	-	-4.1%
	ŲK	May M0*	0.3%	1.2%
	UK	May M0**	7.1%	6.2%
	UK	May CIPM (purch mgrs) survey	•	58.0%
	US	Apr personal income	0.5%	0.6%
	us	Apr personal consump expenditure	0.4%	0.4%
	us	Apr new home sales	739,000	739,000
	US	May consumer confidence	91.7	a1.7
	US	May Chicago NAPM†	-	67.6%
	us	Johnson Redbook - w/e May 28	•	-2.7%
	US	May agriculture prices	-	-1.4%
Wed	Japan	May auto sales**	-	-6.6%
June 1	Japan	May toreign exchange reserves*	-	2.8%
	บธ	Mary NAPM index	57.5%	57.7%
	US	Apr construction spending	0.8%	0.8%
Thursday	UK	May official reserves	\$ 25m	\$19m

Initial claims, w/e May 28.

Day Released	Country	Statistic	Median Forecast	Previous Actual
	US	State benefits, w/e May 21	•	2,808,000
	US	Apr leading indicators	0.7%	0.7%
	US	Apr factory orders		1.1%
	US	Apr factory inventories	•	-0.1%
	US	M1 - w/e May 23	\$2.3bn	\$1.0bn
	US	M2 - w/e May 23	\$1.0bn	\$2.9bn
	US	M3 - w/e May 23	\$2.3bn	-\$0.1bn
	US	Q1 industriel cap utilisation	•	79.7%
Friday	UK	Apr final money data	-	n/a
June 3	US	May hourly earnings	0.3%	0.3%
	US	May everage workweek		34.7
	US	May nonfarm payroll '	275,000	267,000
	us	May menufacturing payrolls	15,000	3,000
	us	May unemployment rate	8.4%	6.4%
us us	ŲS	Apr home completions	-	1.25m
	US	May domestic auto sales	7.3m	7.4m
	US	May domestic light truck sales	5.7m	5.7m
During th	o week			
	Germany	Apr ICON construction climate	n/a	82
	Germany	Apr import prices*	0.3%	-0.4%
	Germany	Apr import prices**	0.3%	0.8%
	Germany	Apr industrial production*	0.4%	-0.8%
	Germany	Apr manufacturing output*	0.5%	-1.8%
	Germany	Apr manufacturing orders*	0.7%	2.9%

ACROSS
1 Nurse has had luck in Kent

4 Caustic point might make the accountant object (8)
10 Understand to have run off after consumption led to indi-

gestion (9) 11 Speak badly of transport in a European context (5)
12 Read about how expensive it

13 Knnt made in merino's skein (10) 15 Unsteady dog (7)
16 Leading Tory managed the church like a dream (6) 19 in part, the way ahead for

Mercury, perhaps (6)
21 In extreme generosity Law-rence left dozens on dozens 23 Or had so few opted for look at the future? (10) 25 Show disapproval of British

27 Picture of a Middle Eastern shell company (5) selds a little wood (6) 28 Exotic spice in new diet is 24 Send the right item off (5)

killing the termites (9)
29 Note the communist is prevented from leaving (8)
30 Unexcitable way of telephoning about nil spill (6)

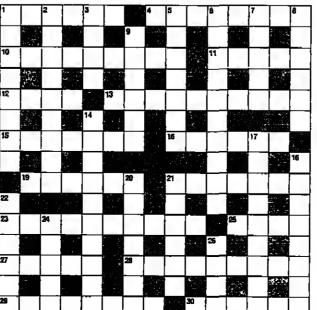
1 He'd get into cryptic clues programme (8) Larch scattered outside a 3 Not in time to meet the French at the Centre (4) Argue about price - it contains a wrong figure (7) 6 He always has the last word in foreign exchange (10)

June 2 US

7 Alumni return having lost a thousand on the plant (5) 8 People to fear at present time? 9 Drink up to the woman drug dealer (6) Lorelei is such a jewel! (10)

Coppers to call for imprison-18 Staple food is dearer by default (3-5) 20 A priest disposed in trudge along (7)

21 Bird's complaint (6)



366,000

MONDAY PRIZE CROSSWORD

No.8.466 Set by ADAMANT

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of 535 Pelikan vouchers will be awarded. Solutions by Thursday June 9, marked Monday Crossword 8,466 on the envelope, to the Pinancial Times, 1 Southwark Bridge, London SE1

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Lncy James, Bournville, Bir-Mrs M. Broadbent, Fontainehleau. France D.A. Herbert, Leicester R.D. Kinb. Borgue, Kirkcudhright T.L. Richardson, London SW1 M. Thomas, Bath, Avon

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JOTTER PAD